THE LABOUR REVOLUTION

KARL KAUTSKY

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THE LABOUR REVOLUTION

BY

KARL KAUTSKY

TRANSLATED BY H. J. STENNING

LONDON: GEORGE ALLEN & UNWIN LTD.
RUSKIN HOUSE, 40 MUSEUM STREET, W.C. 1

First published in 1925

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Printed in Great Britain

PREFACE TO THE ENGLISH EDITION

THE present book was prompted by German conditions, and in the first place it had only German readers in view. But it is by no means specifically German affairs that I deal with here. The tendencies and problems which I investigate in the following pages are common to all countries where modern large-scale industry exists, although the various countries are distinguished considerably by the level of their industrial development. It is, however, precisely upon these distinctions and the problems which arise out of them for the Socialists of the nations concerned that I believe I am able to throw new light. Consequently my book does not concern Germany alone, but applies to all the capitalist nations of the West which have a middle class revolution behind them, as well as to the countries of the East, especially Russia, which are still in the stage of the Middle Class Revolution, even if the latter is being accomplished by Socialists and with socialistic phraseology.

My book is addressed to readers in all countries where a Labour Government is a prospect of the near future, and consequently it should interest readers in Great Britain more than those of another country.

For there we have first to expect the advent of a Labour Government, which will be not merely in office but in power, and have behind it a majority in Parliament as well as among the people. There is no franchise that so much favours great landslides, astonishing changes in the positions of parliamentary parties as the British, much more so than, for example, the system of proportional representation, as introduced into Germany by the Revo-

lution. This product of the Revolution impedes rapid alterations in the distribution of power, and thereby exercises a conservative effect, whereas England's electoral system, moulded on the two-party system, and in so far bound up with old traditions, may exercise a revolutionary effect. There are other revolutions than those made with powder and dynamite.

The same electoral fortune, which has to-day presented the Conservatives with two-thirds of the seats in Parliament, although they did not secure a majority of the votes cast, may favour the Labour Party in the same way at the next General Election.

Then it would be able to achieve great and decisive things, for which it ought now to be preparing. Not in the sense that it should now draft all the Bills which it would then introduce. This would be as if a general in time of peace were to determine the movements which each of his regiments would have to execute in the battles of an expected war. Of course, the general would have to be familiar with the principles of the tactics appropriate to the given type of armament, he would have to study the territory in which the conflict would probably be fought out, and be exactly acquainted with the distribution of forces and the auxiliary resources, the ways and means.

And, passing from the military to the social and political sphere, the Labour Party which anticipates it will come to power within a measurable time must now do the same thing.

In this connection one's own country would naturally form the chief subject of study. But the economic structures of the various countries of capitalist civilization are so very much alike that each country may learn a good deal from abroad, which of course does not mean slavish imitation. All the Socialist parties of the world have learnt important lessons from England, from her Chartists, from her Trade Unions. The English working class was the pattern which Marx held up to the workers

of the Continent. He called the English workers the prize-fighters of the working classes of the world. Since then the working classes of the various countries have approximated much more closely to each other. To-day the workers of a country have something to learn not from the workers of one particular country alone, but from those of the most various countries.

What is set forth in my book are not the experiences of a single country, but those of all countries where Labour Governments or Coalition Governments with Labour participation have existed since the war. I was able to acquire close insight into the relative conditions not only from the literature, but also from the labours of the German national Socialization Commission, which elected me as its chairman.

These experiences, whether favourable or unfavourable, have shown us the problems with which every Labour Government will be confronted. They have already taught us methods to be avoided and methods which promise success.

My book has been written not for a particular nation, but for the Socialists and their friends in all countries. I venture to hope that its purpose, the exposition of the methods to introduce Socialism, will soon become of practical importance for Great Britain.

KARL KAUTSKY.

VIENNA,
November, 1924.

P.S.—The first sixty-three pages of the German edition dealing with the revision of the German party programme have been omitted in this edition as being of minor interest to English readers.

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THE LABOUR REVOLUTION

I. THE PROBLEM

It is now thirty-four years ago that I was engaged in drafting a programme for the German Social Democracy, which the latter adopted at the Erfurt Congress in 1891, and which received the name of the Erfurt Programme.

Like most Socialist party programmes, the Erfurt Programme was divided into two parts, the theoretical and the practical. The theoretical part defined the objective and indicated the character of the Party, whilst the practical part enumerated the urgent practical demands which would have to be carried out before further progress could be made.

When the Erfurt Programme was being discussed, many comrades expressed the opinion that the programme should contain a third section: a description of the measures which would have to be introduced in the period of transition to Socialism.

I declined to comply with this request, which seemed to me premature. Conditions did not yet seem to me ripe for an immediate transition to Socialism. I stated at the time in a series of articles dealing with the draft programme:

"Whoever would prescribe for us methods whereby the workers may capture political power can only formulate their policy upon the model of revolutions that have occurred in the past. We believe, on the contrary, that only one thing may be asserted with confidence respecting the decisive struggles between the workers and the bourgeoisie: that their features will be quite different

from those of previous revolutions, as factors will come into play which have been absent from every previous revolution, which are quite new, and will therefore impart unsuspected forms to the acute class struggles that are coming."

I went on to say :

" If we cannot forecast the forms of the coming political development, we cannot, of course, specify the features of the period of transition to Socialism, as the latter development is intimately connected with the former. We do not even know what productive forces and productive forms the capitalist mode of production will have developed in the meantime, and are therefore thrown back on vague suppositions with respect to this matter. Not by devising a series of transitional measures, but by a clear perception of the development that is going on before our eyes, shall we be in a position to advocate and to do what is appropriate in every situation that confronts us, whatever its nature may be."

The last sentence, of course, applies to-day, but not the preceding one. To-day the transitional measures belong to our programme, for we are no longer dependent upon vague suppositions concerning their nature. In this respect we were no farther advanced ten years after the adoption of the Erfurt Programme, when I wrote my book upon the Social Revolution. In that book I attempted to solve problems which might arise during the transition to Socialism, although I was obliged to start from a hypothetical foundation. Consequently, I was far from being able to ascribe the value of a programme to the results at which I arrived. For me their significance was of quite another kind. In the second part of my book, which is called " The Morrow of the Revolution," I wrote as follows respecting this point :

" I consider it to be a good mental exercise, and a means of promoting political clearness and consistency of thought, to attempt to draw the logical consequences of our endeavours, and to inquire into the problems which may

arise for us out of the conquest of political power. This is also valuable from a propagandist point of view, since on the one hand it is constantly asserted by our opponents that we would be confronted through our victory with insurmountable difficulties, and, on the other hand, there are in our ranks men who cannot paint the consequences of our victory black enough. Already, they say, the day of our victory contains in itself the day of our defeat. Thus it is of importance to see how far this is the case.

" If, however, we are to arrive in our inquiry at definite conclusions, and not lose ourselves in endless discussions, then it is necessary that we should examine the respective problems in their simplest form, in which they will never manifest themselves in reality, and abstract from them all complicating circumstances.

" Only such problems of the social revolution are open to discussion which can be discerned in the way indicated here. Regarding all others, we cannot allow ourselves any opinion either one way or the other."

Until recently we were unable to see beyond the limits above defined for the solution of the problem of the transition to Socialism. We were obliged " to examine them in their simplest form, in which they will never manifest themselves in reality."

This has ceased to be the case during the years which followed the collapse in the war, which led first to the Russian Revolution, and then to the Austrian and German Revolutions. At one stroke we have been brought to the threshold of the transition to Socialism, and are able to study its problems in the light of reality. But the disturbing factors which are never absent when we are dealing with realities are exceptionally strong to-day, and the problems of the transition to Socialism are now complicated by the problems connected with overcoming the after effects of the war, which reversed all the laws of economics.

But those who investigated economic laws before the war, and will not allow themselves to be disconcerted or

misled by their abnormalities, are in a position to discern with some accuracy the actual problems of the transition to Socialism, and to draw from them practical conclusions to guide the conduct of Socialist Parties.

Although we are now on the threshold of the transition, it would be premature to attempt to pronounce a final judgment upon it. But we can no longer be contented with our former ideas. We must find our feet without delay in the flood of new problems which is breaking over us. Although our experiences, as it seems to me, have not gone far enough to render further investigation superfluous, they have been sufficient to impart greater clearness and certainty to our actions.

II. THE POLITICAL REVOLUTION

I

THE MIDDLE CLASS REVOLUTION

THE character of the transition from the capitalist to the socialist mode of production may also be described as the forms which we may expect the Labour Revolution to assume. The two questions are closely connected with each other.

The types of revolutions, or the great changes in the distribution of class power, as well as the forms of the State, vary with the changes in the economic conditions.

In his *Eighteenth Brumaire of Louis Bonaparte*, written in 1852, Marx makes reference to the fact that the Labour Revolution assumes different forms from those of middle class revolutions. He states :

" Bourgeois revolutions, like those of the eighteenth century, rushed onward rapidly from success to success, their stage effects outbid one another, men and things seem to be set in flaming brilliants, ecstasy is the prevailing spirit ; but they are short-lived, they reach their climax speedily, then society relapses into a long fit of nervous reaction before it learns how to appropriate the fruits of its period of feverish excitement.

" Proletarian revolutions, on the contrary, such as those of the nineteenth century, criticize themselves constantly, continually interrupt themselves in their own course, come back to what seems to have been accomplished, in order to start ever anew, scorn with cruel thoroughness the half-measures, weaknesses, and meannesses of their first

attempts, seem to throw down their adversary only in order to enable him to draw fresh strength from the earth and again to rise up against them in more gigantic stature, constantly recoil in fear before the undefined monster magnitude of their own objects, until finally the situation is created which renders all retreat impossible, and the conditions themselves cry out *Hic Rhodus, hic salta.*"[1]

Marx here describes the Middle Class Revolution in a masterly fashion, but he lacked the data to describe the Labour Revolution. In the year 1852, it was premature on his part to regard the revolutions of the nineteenth century as Labour revolutions. This is only intelligible on the assumption that the February Revolution in France and the Chartist Movement in England in the year 1848 appeared to him as the preliminary phases of the Labour Revolution, and that he anticipated a vigorous growth of the Labour revolt would set in with the close of the period of reaction which began in the year 1848.

With all his acuteness, Marx was often betrayed by his revolutionary temperament into thinking that the developments of the future, which he foresaw clearly enough, were nearer the point of realization than was actually the case.

Thus in 1852 he could not have been aware that between the great Middle Class Revolution of 1789 and the great Labour Revolution, more than a hundred years of capitalist development would stretch, which would favour the growth of the capitalist class as well as that of the proletariat. Thus the Middle Class Revolution of the eighteenth century was not followed by a Labour revolution until after the dawn of the twentieth century, and in the interval we have more than a century of Labour class struggles, which were necessary to enable the working class to accomplish its revolution.

The conditions of this Revolution are quite different in 1922 from what they were in 1852. Every revolution has two sides, one being political and the other social: the

[1] *Eighteenth Brumaire of Louis Bonaparte*, Daniel De Leon's translation.

conquest of political power by a new class and the employment of the captured political machinery for the purpose of adapting the economic conditions to the interests of the victorious class, so far as this can be effected by political legislation and administration.

First of all we will discuss the political revolution.

The starting-point of every middle class revolution is a struggle in the direction of democracy, a struggle to resist or to abolish absolutism. In its social aspect it is a struggle of the Third Estate against the First and Second Estates, the Church and the Nobility, which, having become economically and spiritually obsolete, constitute a hindrance to further economic development. At a time of approaching revolution these powers can only maintain their positions with the help of the State.

The monarchy, which in feudal times had formed the spearhead of the nobility, was intimately connected with the latter. Yet for many centuries the monarchy was engaged in a constant struggle against the indiscipline of the nobles, with whom it was generally powerless to cope. It was likewise involved in resistance to the pretensions of the Church. It was only able to put down the rebellious powers with the assistance of the towns. At the same time these powers were in process of being economically ruined by the growth of the monetary system. The advantages from this situation did not immediately accrue to the middle classes, but to the monarchy itself, which transformed the nobility and the Church into its pliant and well-paid tools. By means of the taxation it levied, it was able to establish a strong standing army and a strong bureaucracy, which suppressed every independent organization in the State and protected feudal exploitation.

To shake off feudal and bureaucratic oppression, it was urgently necessary to establish freedom of organization, of speech, and of writing, as well as popular control of legislation and of the Government. These objects coincided with the interests of all the classes and sections which

took some part in the process of production and were concerned to save the State and society from economic death. These classes all came within the category of the Third Estate, to which peasants, workers, and the lower middle class belonged, as well as capitalists and intellectuals.

Thus the Middle Class Revolution in its inception is a struggle for democracy, not on the part of a class, but of an Estate, the Third Estate, which comprises the most various classes.

The revolutionary contingent of the Middle Class Revolution was for the most part entirely ignorant of political matters, and lacked any kind of cohesion. Every means of enlightenment and organization had been withheld from it by the absolutist Government.

The only organizations which existed were controlled by the Government, and these were the strictly disciplined bureaucracy and the army. Moreover, the army alone was accustomed to the use of weapons and adequately armed.

Under these circumstances, any resistance to the Government was impossible in normal times. It would only become possible if a crisis broke out, which caused the rulers to lose their heads and become divided, and also dissolved the army or undermined its discipline, driving the incoherent masses of the population into the streets of the capital, where they would suddenly gain courage from their unexpected union, and finally gather the strength to overthrow the tottering Government.

Consequently middle class revolutions tend to assume an unexpected, sudden, catastrophic, and elemental character.

They are also planless and incalculable. Owing to its political inexperience and ignorance, the revolutionary mass is not guided by a clear perception of aims, but by its instincts and passions. Rumour takes the place of insight into facts. In the moment of victory it is inclined to overrate its strength and exaggerate what can be accomplished.

And being unaware of the relative strength of parties in the State, it promptly collapses as soon as it suffers

a defeat. The agitated city of Paris became quite calm after the ninth Thermidor 1794, after the fall of Robespierre!

In his *History of the Great French Revolution*, Kropotkin would have us believe that greater political wisdom was to be found among the revolutionary masses than in the parliaments. The real state of affairs was as follows:

The intellectuals were the only section of the Third Estate which possessed profound political insight. From their ranks were recruited the leaders of the revolutionary masses, and the great legislative and constructive work of the Revolution was conducted by them.

The intellectuals in the eighteenth century were not a class which was eager for bloody struggles. Their labours favoured the development of the brain, not of the muscles; they fought out their disputes with the weapons of wit, of argument, and sometimes of intrigue, but never with their fists. In the eighteenth century, being freed from military service, they despised the use of weapons and recoiled from bloodshed. They preferred peaceful compromises to despairing insurrections, and held it was better to tire the enemy than to try to defeat him.

In their readiness for insurrection and for civil war, the masses prove themselves superior to the intellectuals, and this fact exercised a salutary influence during several crises of the French Revolution. But this fact does not justify us in concluding that illiteracy is superior to knowledge.

Yet it is not merely by their reckless fighting that the masses distinguish themselves in the Middle Class Revolution. We have seen that this revolution is a task of the Third Estate, which comprises various classes. The latter co-operate so long as it is a question of overthrowing the absolutist regime. The moment this aim is achieved, and even while the regime is still tottering, the diverse elements of the Third Estate begin to feel the important differences which separate them more acutely than their common antagonism to absolute government and to the feudal

powers. They are divided by tactical differences as well as by antagonistic interests. For each class has a favourite mode of waging the struggle, which is adapted to its particular resources.

The direction of the Middle Class Revolution passes first of all to those sections which are able the soonest to acquire the knowledge requisite to guide and re-organize the State, the capitalists and the intellectuals, who are comprised under the common name of the bourgeoisie. The intellectuals do not form a compact class, but are destined by their social position constantly to champion alien class interests. But their situation also enables them to perceive most readily what is necessary for the common social interest. And at the time of which we are speaking the interests of society coincided with the interests of industrial capitalism. Consequently, the intellectuals were strongly biased in favour of capitalism, although they were not antagonistic to the workers, who did not yet play any part as a separate class. The development of industry which was emerging from the ruins of feudalism and absolutism seemed then to be synonymous with general prosperity and happiness.

With this expectation all the elements of the Third Estate plunged into the Revolution.

But it brought increased prosperity only to the capitalists and the peasants, not to the small handicraftsmen, tradesmen, and wage-earners. It was these poorer sections which, by their boldness and reckless self-sacrifice, had overthrown the old regime. They felt themselves to be the masters of the capital, and consequently, in the existing state of centralization, the masters of the Government and of the State. And yet their lot was not to be lightened!

As long as they were conscious of their superior strength, they strove to carry the Revolution to greater lengths, but their efforts were futile, as iron economic laws rendered industrial capitalism irresistible so long as commodity production continued. They became increasingly antagonistic to all other classes. They were now confronted not

only by the supporters of the monarchy, the Church, and the aristocracy, but by the capitalists and the majority of the intellectuals, as well as by the comfortable members of the lower middle class and very often the peasants. As a minority in face of a growing majority, the proletarian and semi-proletarian masses of the capital and those intellectuals who led them were impelled to adopt the system of terrorism, which could only end with the complete collapse of the movement. At this juncture no other class was in a position to govern directly for itself. The dictatorship of the terrorists had created a new, well-disciplined army, and the beginnings of a new political police system.

As after the fall of the dictatorship of the lower classes, none of the higher classes was in a position to assert itself by its own strength, the various antagonistic classes holding each other in check, a new dictatorship was set up by the war lord.

A Bonapartist or Cæsarian regime, such as existed in France, as the result of the Middle Class Revolution, formed a state of transition to capitalist class rule.

II

THE LABOUR REVOLUTION

(*a*) Democracy.

The starting-point of the Middle Class Political Revolution is the struggle for democracy, and upon the extent to which this Revolution has removed the vestiges of feudalism will depend the strength of democratic institutions in the middle class State.

These institutions do not attain the same degree of development in every middle class State, as they are conditioned by the level of social development at the time of the Middle Class Revolution and the distribution of power among the various classes within the Third Estate, which is usually designated as the people. Complete democracy is never established at one blow, and is generally liable to set-backs. Thus the task of the Revolution has to be revived and continued in subsequent movements. Of no middle class State are we able to say that it has established complete democracy, and that the fight for the latter is won.

But every middle class revolution establishes a certain number of democratic institutions, whilst capitalist development, especially the growth of communications, prepares the ground which makes the democratic movement irresistible much earlier than the Labour movement.

A large instalment of democracy has been obtained in any country where the working class has progressed to the point at which it can contemplate with some hope of success the seizure of political power, and consequently the carrying out of the Labour Revolution. This is a

symptom as well as a prerequisite of the ripeness of the State and of the working class for Socialism.

Democracy is a barometer which permits the strength and the political intelligence of the working class to be measured. Moreover, it is a means for nourishing this strength, as indispensable as the capitalist mode of production itself.

It is obvious that the existence of democracy creates forms for the Labour Revolution that are fundamentally different from those of the Middle Class Revolution.

However much Marx may have recognized that the Labour Revolution would differ from the Middle Class Revolution, in 1852 he was not in a position to discern wherein this distinction would lie, for in no European State at that time had democracy made such progress and rooted itself so firmly as to have given a new content to the proletarian class struggle.

At that time a thoroughgoing democracy could only have been spoken of in connection with the United States of America, a colonial country with wide tracts of free soil, with an enormous majority of peasants and a small minority of industrial workers, whose most energetic members were not inspired by a socialistic ideal, but aimed at acquiring an independent peasant holding or climbing into the middle class. In this country there was as yet no pronounced differentiation of classes. Democratic institutions indeed existed, but a proletariat with developed class-consciousness, which strove for political power, was lacking.

The Swiss cantonal democracy was extremely petty and disproportionate. In the economically backward cantons an extensive democratic system survived from the dim past, from the period of the Mark community. It was not until towards the middle of the nineteenth century that democracy was established in the industrially advanced cantons. It had influenced political habits so little at that time that the forties were the period of insurrections and of civil war in Switzerland, which, however, usually

lasted but a few days, and involved the spilling of more wine than blood.

It was not until the last third of the nineteenth century that democracy in Europe ceased to be an isolated and local curiosity, and became a universal phenomenon which influenced the whole of political and social life. The turning-point was the year 1867, which in England saw the reform of the franchise, whereby at least the aristocracy of labour received the vote. In the same year the North German Confederation, the precursor of the German Empire, was founded upon the basis of universal suffrage, and there arose in Austria the liberal era of "citizen ministries," whose freedom-loving middle class members elected a prince as their president. And in the year 1867 the new political orientation commenced in Napoleonic France, accompanied by rather feeble concessions, which did not prevent the collapse of the Empire and the advent of the Republic in 1870.

The effects of democracy upon class struggles did not become perceptible until the seventies, and even then the results were at first rather meagre, in view of the numerous setbacks, especially the reaction which followed the Communist rising in Paris, and which lasted from 1871 to 1879, and the Socialist proscription in Germany from 1878 to 1890.

As Marx was unable to observe what effect the growth of democratic liberties would exert upon the political struggle, it is all the more remarkable that in 1872, at the conclusion of the Hague Congress of the International, he declared:

"We know that the institutions, the manners and the customs of the various countries must be considered, and we do not deny that there are countries, like England and America, and, if I understood your arrangements better, I might add Holland, where the worker may attain his object by peaceful means. But not in all countries is this the case."

On two occasions I have drawn the attention of the

Bolshevists to this sentence, in my *Dictatorship of the Proletariat* and then in *Terrorism and Communism.*

So far as I know, the Communists, who swear by Marx, have made no attempt to discuss this sentence, nor have they even taken any notice of it.

At a later date Engels dealt with the same question in a criticism he made of a draft programme in 1891, where he said :

" It is conceivable that the old society may peacefully evolve into the new in countries where popular representation has gathered to itself all the power, where one may do what one likes constitutionally, as soon as the majority of the people is behind one ; in democratic republics like France and America, in monarchies like England, where the dynasty is powerless against the popular will.

" But in Germany, where the Government is practically omnipotent, and the Reichstag and other representative bodies have no power, to proclaim anything of that sort, and that without any need, is to take off the fig-leaf from absolutism, and to screen its nakedness by one's own body."

The last paragraph of the above quotation from Engels was quoted textually by Lenin in his *State and Revolution,* but the first paragraph he paraphrases by saying : " Following Engels, one can conceive a peaceful development for those countries which possess extensive liberties." Lenin thought this inconvenient sentence was robbed of all its force by underlining the words " one can conceive."

One of the first effects of democracy is that the masses are enabled to organize for specific political or economic objects, and that enrolled in these organizations they maintain constant contact with each other, gather experience, and make leaders of their most gifted and trustworthy comrades.

The mass conflicts in the Middle Class Revolution are fought out in the streets by sections of the population, which, lacking cohesion otherwise, are driven by a sudden

political impulse out of their dwellings and workplaces. Contagious excitement goads them to common action, without preparation or plan, following leaders who are the choice of the moment. They are guided chiefly by their instincts and needs, and rumours and illusions take the place of experience and political knowledge.

The struggles of the political Labour Revolution for the conquest of political power by the workers are conducted by great organizations, which have existed for decades, possessing great experience, ample training, well-considered programmes, and leaders who are as famous as they are trustworthy.

The leaders of the Middle Class Revolution were novices who had suddenly become prominent, and of whom the world had known nothing previously. It seemed as if this revolution possessed creative power, judging from the number of political geniuses which it produced, whose careers, however, were as short-lived as they were brilliant, being mere comets flashing across the political sky.

On the other hand, the Labour Revolution that has just begun has not produced any new genius, not because the sections of the population now coming to the fore lack talented persons, but because these persons had an opportunity of showing what they were capable of before the Revolution, and of revealing their qualifications to be leaders of their class movement.

Even the present Russian Revolution, which exhibits to such a marked degree all the characteristics of a middle class revolution, found in the general democratic atmosphere of Europe in pre-revolutionary days so many opportunities, at least among the emigration, for developing its talent for leadership, that even it has not produced a solitary new leader of importance. Its Marats and Robespierres, Dantons and Carnots, etc., were well-known comrades long before the Revolution, such as Lenin and Trotsky, Radek and Zinoviev, etc. The Labour Revolution does not produce new parties any more than new leaders. On the other hand, the Middle Class Revolution first creates the

conditions which permit the formation of parties, and the parties actively engaged in furthering the Revolution are all of its own creation.

In the present Revolution the Communist Party at the most may be regarded as an innovation, but even this, as an organization, is only a continuation and extension of the Bolshevist Party which existed long before the war. Its programme at any rate is new. It may boast of being the completion and most logical application of old-time Marxism, but in all that distinguishes it from the programme of Social Democracy, it is entirely a child of the Russian Revolution.

Born of the Russian Revolution, the Communist Party will cease to exert any influence on the working class when the effects of that Revolution have been dissipated. In a real Labour revolution, which breaks out where the workers as a class have captured political power, the Communist Party, which constitutes a mere sect, will no longer play any part. Victory will fall to the Social Democratic Party, which is wide enough to include all the class-conscious workers, and it will be its task to employ the political power thus acquired to carry out a socialistic transformation.

Such a victory will not come like a thief in the night, as the preliminary struggle is being fought out on the basis of democracy. In this respect also the Labour Revolution differs from the Middle Class Revolution. In the feudal and absolute State, any kind of open political life was impossible, just as it is in present-day Russia. The population knew nothing definite about the Government, its resources, its finances, etc., nothing of the various Court tendencies upon which the government depended. The Government knew just as little of the currents of thought among the population, of its strength and its determination. In these circumstances, the Revolution comes in the form of a surprise, an elemental event which upsets all calculations. The revolt can only triumph through the suddenness of its outbreak, which causes the

ruling powers to lose their heads, exposes their confusion and wavering to the world, paralyses their defenders, and encourages their opponents.

One of the consequences of the blindness of absolutism to existing conditions is that its concessions which, if offered at the right time, would have satisfied the people for a period, always come too late when they come at all. Thus an absolutist regime constantly ends in complete collapse, in a terrible catastrophe, which is all the more devastating as force is the only arbitrament which absolutism knows in internal and external policy. Against democrats only soldiers are of any use, William the first Emperor of Germany was fond of saying. And William the last Emperor was of the same opinion. Both were steeped in absolutist modes of thought.

The case is otherwise with democracy. Democratic institutions which include universal suffrage enable every change in the thoughts and feelings of the masses and in their relative strength to be clearly discerned. This perception restrains the rising class from many premature attacks, for which its strength would not be adequate. The same perception causes a ruling class voluntarily to evacuate many positions whose untenableness it has recognized, and whose stubborn defence would involve it in a defeat, which might culminate in disaster. The struggles of insurgents with Government troops is supplanted by the struggles of parties to win supporters through the agency of the press and public meetings ; the struggles of parties to secure a majority in parliamentary elections.

As a rule this method excludes the element of great surprises—the arena of conflict is occupied by parties with which the people have long been familiar, and the people themselves are politically educated and know what is to be expected from each party.

Democracy does not, however, entirely exclude political surprises, for social life does not always repeat itself in the same way, and novel situations may suddenly arise,

especially in foreign politics, which would confuse the people in such a manner that the outcome could not be foreseen. Moreover, even under the best democratic institutions, a section of the population lives amid conditions which prevent it from taking a regular part in political life. This section has to be aroused by the stimulus of great events before it plays any part in political decisions. It does this without knowledge and without consideration, being moved by its feelings and instincts. It may happen that this section will turn the scale and decide the fate of the nation when the striving parties are of approximately equal strength.

This tendency sometimes works most disastrously, yet we need not exaggerate its importance. A strong party which is firmly rooted in democratic institutions never suffers a crushing defeat. If for the moment it fails to win a majority, this fact is an incentive to enlighten and train the backward masses, which had turned the decision against it, in order to embark upon the next attempt with increased strength and better prospect of success.

If these considerations apply to democracy in general, they have a special importance for the political revolution of the working class which is accomplished under democratic conditions. Democracy makes it possible for this revolution to be peaceful, bloodless, and without coercion; democracy also ensures that this revolution will occur with a lesser degree of wonder and produce fewer new champions and new programmes than was the case with the Middle Class Revolution. Consequently, the Labour Revolution is less dramatic and provides fewer sensations for eager journalists; it is more prosaic and less extravagant than the Middle Class Revolution. The fact that the present Russian Revolution is rich in dramatic episodes shows once more that it is actually a middle class revolution, in spite of the intentions of its leading personalities.

Against the peaceful development of the Labour Revolution it is contended that no ruling class voluntarily relinquishes its privileged position. Doubtless this is

perfectly true. It would be foolish to imagine that a ruling class could be persuaded into withdrawing from the field, or that the progress of civilization will ever imbue the capitalist class with so much social spirit that it will abdicate all its positions without contest to the workers.

If I am reminded of August 4, 1789, when the nobles of the French National Assembly enthusiastically renounced their feudal privileges, I would say that this was voluntary in appearance only, and was actually carried out under the pressure of a formidable peasant revolt, which threatened the nobles with the expropriation or the destruction of all their possessions, unless the peasants were pacified by the renunciation of feudal privileges.

The workers will certainly not win political power unless they already represent a strong and even preponderating force. The importance of democracy lies in the fact that the magnitude of this force may be clearly perceived, without having recourse to armed conflict.

Whether votes are a power or not depends upon the type of men who cast them. If the voters are shiftless persons who only live by the favour of the rich, or wage-earners whose mentality is such that they regard the capitalists as "bread givers," such workers will certainly not capture political power through the votes they cast. So far as they possess the vote at all, they will rather be inclined to sell the political power which it represents to the highest bidder.

The case is different with workers in a society which they sustain and which would collapse without them. When the workers form a majority and are conscious of their importance to society, their voting for the Socialist Party signifies that they have recognized their strength and are determined to make use of it.

Of course the vote is only a power within democracy. It would be foolish to attempt to wage the struggle for democracy itself with the agencies of democracy. By peaceful means democracy is neither to be wrested from

nor defended against a regime of coercion. This is often overlooked.

Until a short time ago a large fragment of arbitrary power still inhered to the instalment of democracy that had been conquered in the great States of the European Continent. They were all strongly centralized military States, and most of them military monarchies. Even in the French Republic so many vestiges have survived from the period of the Empire that it has often been called an empire without an emperor.

In these cases complete democracy has first to be conquered. But how else than through the violent overthrow of the constitution could the military monarchies have been overcome? Mere votes are not sufficient against them.

The progress that our party made through manhood suffrage, in spite of the military monarchy, caused many of our comrades to hope that the working class would be able to secure political power under the monarchy by peaceful means, that is to say, the Labour invasion of the strongholds of power would be so imperceptible that the military monarchy itself would not perceive how it was losing its positions one after another.

There were Socialists who even opined that the interest of the monarchy itself could be enlisted in favour of Socialism, if the latter were presented as a means of satisfying the appetite for conquest, especially in colonial policy.

The idea that the forcible overthrow of the monarchy and the revolution which this act implied could be circumvented by a process of gradual reforms, was known as the reformist conception in contrast to the revolutionary conception. Around these conceptions revolved our hottest party conflicts in the two decades preceding the war. The discussion is now only of academic interest, as the Revolution which was to have been averted by reforms actually came.

So far we revolutionaries proved to be right. But

matters worked out rather differently from what we had expected.

The whole middle class world had made its peace with the military monarchy; the working class alone strove for the democratic Republic. We were therefore of opinion that the Republic would not be established until the working class was strong enough to settle accounts with the whole of the possessing classes. We anticipated that the advent of the Republic would coincide with the conquest of political power by the workers, and that the democratic German Republic would of necessity be a social-democratic republic.

This expectation would probably have been realized if the monarchy had been overthrown from within. Nor was it a prospect of the dim and distant future. The more the growing power of Social Democracy was expressed through general suffrage, the nearer was our prospect of gaining a majority in the Reichstag, the more rapidly the decisive conflict with the monarchy approached.

But before matters came to this point, the monarchy unchained that senseless war which led to its military collapse. At this date the German working class was so strong that the military collapse before the external foe was followed by the political collapse in the Empire. But the working class was not strong enough to be able to maintain the power which the catastrophe placed in its hands, especially as the war had weakened its ranks, demoralized many of its members, and disrupted its most revolutionary sections. Instead of presenting a united front to its middle class opponents, the working class was ravaged by internecine strife.

Thus its achievements did not amount to more than the abolition of the military monarchy and the introduction of a few social reforms, particularly the eight-hour day.

Now the old antagonism between revolutionaries and reformers seems to have cropped up again. But in reality this antagonism in this post-revolutionary epoch is only a "useless admonition" to "futile strife."

The Republican Constitution, which is one of the products of the Revolution, despite its defects, provides the socialistic working class with sufficient opportunities to gain political power by peaceful means.

This Constitution is not yet so secure that the working class may not have to resort to force in order to defend it. But the workers have not the slightest excuse to desire forcibly to subvert it.

He who in Germany to-day speaks of a forcible upheaval and a revival of the Revolution in these terms, reminds one of a man who, because he was justified in announcing the imminent sunrise at 3 a.m., thinks he owes it to his principles to announce the coming sunset at noon.

These revolutionaries of to-day belittle their own work of yesterday. They overlook the tremendous changes brought about by the Revolution of yesterday, of 1918, and the fact that it has completely changed the conditions which govern the struggle for power.

Our present task is not the forcible overthrow of the constitution, but the fullest utilization of the democratic rights that it confers. It is Labour unity, and not the idea of upheaval, which will assist the German workers at the present time to capture political power. The revival of the antagonism between revolutionaries and reformers, which blocks the path to unity, is now only an obstacle to the advent of Labour rule, to the Social Revolution, to the supplanting of capitalism by socialism, at which all we Socialists are aiming, however we may be designated.

(*b*) Forcing the Pace of the Revolution.

The Labour Revolution thus progresses upon the basis of democracy, while the Middle Class Revolution proceeds from the fight for democracy. This distinction involves a further point of difference.

We have seen that the Middle Class Revolution begins as a revolt of various classes against absolutism. When the latter is overthrown, the liberated sections of the people become fully conscious of their class interests and

class antagonisms, and begin to fight among themselves, using the forcible methods characteristic of the Middle Class Revolution, which push the latter to greater lengths and bring ever more extreme classes and parties to political power.

In her remarkable work entitled *The Russian Revolution*, Rosa Luxemburg asserts the necessity of "advancing impetuously, crushing all obstacles with an iron hand, and continually extending its aims," to be the "vital principle" and "the basic doctrines of every great revolution" (pp. 77 and 78).

As a matter of fact, this process is only the vital principle of every great middle class revolution.

The Labour Revolution is accomplished under quite different conditions. As it presupposes a long period of familiarity with democratic institutions, the Labour Revolution is carried out after the full development and clear recognition of class antagonisms which were formerly veiled by absolutism. Although democracy introduces into political struggles more peaceful methods than those of former times, it must not be assumed that this denotes a mitigation of class antagonisms. Classes are economic, and not political, categories; their interests and antagonisms, as well as the degree of *their* acuteness, depends upon economic, and not political, factors. The separate classes become enlightened as to their interests and antagonisms in the degree that the various sections of the people have opportunities for self-expression. Any accentuation of these interests and antagonisms produced by economic causes is immediately detected under democracy. Consequently, the Labour Revolution, unlike the Middle Class Revolution, cannot originate in illusions entertained by various antagonistic classes regarding their common interests. The Labour Revolution is the result of decades of tenacious class struggles, during which class consciousness on each side has been developed to the highest pitch. It is inaugurated by the preponderance of a single class, the working class, behind which there stands no other

class to be oppressed and exploited by the new rulers. Through its political organization, the Social Democracy, the working class has set forth its aims in the most comprehensive manner long before its victory. There is no class or party which can rise up behind its back to extend the limits of the Revolution.

Nevertheless, we have to be prepared for the appearance of an extreme party, which would try to carry the Revolution to greater lengths.

The workers do not form a homogeneous mass. They are divided into two sections, one of which is so favoured by special economic conditions or by legislation that it is able to form strong organizations, and thereby look after its interests: it constitutes the ascending portion of the working class, its "aristocracy," which is able to offer successful resistance to the depressing tendencies of capitalism, sometimes to the extent that the struggle against capitalism is no longer a fight against poverty, but a struggle for power.

By the side of these well-disciplined, trained, and fit troops is the great army of those who are placed in such unfavourable conditions that they are not yet able to organize themselves and counteract the depressing tendencies of capitalism. They remain in poverty, and often sink deeper into the mire.

The Labour Revolution also arouses these sections and inspires them with courage for the struggle. And the workers who have previously been most apathetic are now most eager to force the pace. For them the class struggle is a war against poverty. The worker who is crushed by poverty cannot wait; he urgently needs immediate help. As long as he feels impotent, he resigns himself. But the moment he gains possession of power, he determines to put an immediate stop to all suffering and oppression. Ignorant of the iron laws of economics, he believes he is able to accomplish everything by force. Owing to his ignorance and inexperience, he falls an easy prey, in his enthusiasm for liberty and prosperity, to the demagogues

who deliberately or carelessly dangle before him the most brilliant promises. He is goaded into fighting the trained and organized workers, who are accustomed to slow movement, who only attempt to perform the tasks for which their strength and capacity are adequate, and who have sufficient experience to realize that the problems in question are not so simple as they appear. This antagonism within the ranks of the working class is accentuated through the influence of Marxism. At the time of the Middle Class Revolution, a science of political economy had indeed come into existence, but it regarded commodity production as the natural form of production, and its laws as the natural laws of social economy. The extent to which all political and social ideas and institutions are economically determined had not yet been discerned.

Consequently economic knowledge was only to be found amongst the bourgeoisie. This word is constantly used as if it were synonymous with the capitalist class, but this is a mistake. *Bourgeois* signifies the municipal citizen as distinct from *citoyen*, the citizen of the State. We understand by the term bourgeoisie the whole of the educated and comfortable section of the urban population, in contradistinction to the whole of the country population, the large landowners as well as the peasantry, and the poorer section of the urban population. The bourgeoisie does not form a class in the economic sense ; it is, like the " Third Estate," a collective name, which comprises various elements, intellectuals as well as capitalists, and in addition many sections that live, not from the exploitation of alien labour, but merely from their own labours, being frequently exploited themselves. The intellectuals among the bourgeoisie are perhaps more numerous than the capitalists.

Some comprehension of the laws of political economy existed amongst the bourgeoisie at the time of the Middle Class Revolution, although such knowledge was not to be found amongst the poorer members of the lower middle class, the workers, or the peasants. The workers above

all were not yet in a position to acquire economic knowledge; they instinctively fought against the recognition of economic laws, inasmuch as the latter taught that the workers' poverty was an ordinance of nature. The struggles of these sections against the bourgeoisie during the Revolution were at the same time struggles of ignorance against economic insight.

The position is quite different to-day. Marx and Engels perceived that the laws of political economy have the force of natural laws only under specific historical conditions, conditions which alter in accordance with *their* natural laws. They discerned not only the laws of movement of the existing mode of production more profoundly than anyone else, but also its laws of development. Whilst the former reveal the necessity of exploitation and poverty under the existing conditions, the latter show the abolition of exploitation and the victory of the workers to be inevitable.

During the same period as the more fortunate section of the workers raises itself out of its degradation and is enabled to acquire more and more knowledge, there also arises the doctrine which promises the victory of the working class and imposes on it the duty of studying the laws and the facts of economic life as closely as its circumstances permit.

There are, however, two sides to the Marxian doctrine. On the one hand, it shows the necessity of the Labour victory.

The weaker the position of the workers and the more oppressive the conditions under which they live, the more important it becomes to emphasize this side of the Marxian doctrine, as it is essential to encourage a working class battling with superior forces by pointing out that the laws of development of the capitalist mode of production itself are moving in its direction and will eventually assure it a preponderant position in society.

The task of trained Marxists assumes quite a different shape after victory has been attained. Now the great

question that arises is how to make use of the victory. And it behoves us Marxists to lay the greatest stress upon the other side of Marxism, which teaches that all political and social ideas and institutions are conditioned by economic laws which may not be altered at will. It teaches that Socialism will inevitably, and as a necessity of nature, emerge at a certain stage of capitalist development. But this involves a recognition of the fact that Socialism is impossible at an earlier stage of development. To quote a well-known, but too little regarded, passage from the preface to Marx's *Capital*:

"And even when a society has got upon the right track for the discovery of the natural laws of its movement . . . it can neither clear by bold leaps, nor remove by legal enactments, the obstacles offered by the successive phases of its normal development. But it can shorten and lessen the birth-pangs."

In these revolutionary times another passage from *Capital*, which also employs the metaphor of birth, is more frequently quoted than the above:

"Force is the midwife of every old society that is pregnant with a new."

Those who are fond of quoting this passage generally forget that Marx has just described this force, not as that of the fist or the bayonet—machine guns did not yet exist—but as the State power, the "concentrated and organized force of society," and that, on the other hand, in the passage previously quoted, Marx expressly warns against attempting to clear by bold leaps the obstacles offered by the successive phases of social development.

An impatient midwife who employs force to deliver a pregnant woman in the fifth month instead of the ninth will perform the feat of considerably shortening the period of pregnancy, but all the vital functions of the child will be suspended after a few convulsions, and the mother will be lucky if she escapes a lingering illness or even death.

This species of midwifery is at the moment being practised on that poor mother called Russia by a number of doctors

who assert that they have walked the Marxian hospital. These loud-mouthed saviours announce in every accent of quackery that their application of force is the appropriate means "of shortening and mitigating the birth-pangs of Socialism."

Whenever and wherever the working class conquers political power, it behoves us Marxists to ascertain in which normal phase of development this conquest of power has taken place, to make whatever use of this victory is practicable in the given stage of development, and above all to warn the workers against the adoption of methods which, however desirable they might seem, are bound in the existing circumstances to lead to failure and setback.

We are emphatically not of the opinion of Rosa Luxemburg, who contends that the Revolution always imposes on Socialists the duty of forcing the pace of events, as the Bolshevists are doing:

"The fundamental doctrine of every great revolution or its vital principle is as follows: Either the revolution must press forward with determination and rapidity, crushing all obstacles with an iron hand, and continually extending its aims, or it will be very quickly thrown back beyond its weaker starting-point and crushed by the counter-revolution (*The Russian Revolution*, 1922, pp. 77–8).

"Once the working class has seized power, it may never renounce its task of socialist transformation, in accordance with Kautsky's good advice, under the pretext of the 'unripeness of the country,' without treason to itself, to the International, and to the Revolution. It shall and must immediately embark upon socialistic measures in the most energetic, uncompromising, and ruthless manner" (*op. cit.*, p. 115).

Unfortunately, Rosa Luxemburg was precluded from observing the example of the Soviet Republic in Turkestan, otherwise she might have reconsidered the question as to whether the socialist transformation ought to have pro-

ceeded there, if we were not to be traitors to our dearest principles.

To-day we are able to observe things more dispassionately than was possible in the year 1918, when Rosa Luxemburg wrote the above words. We have now the example of the hopeless conditions of Russia to show us what happens when, without regard to the given stage of development, socialist measures are adopted in the most energetic, uncompromising, and ruthless manner.

When the working class captures power, we need not be really concerned about urging it to adopt socialist measures in the most energetic, uncompromising, and ruthless manner. The danger does not lie in the fact that too little revolutionary driving force will be released, but that it will be expended in an inappropriate manner, upon measures which will achieve the opposite of what is expected.

It is not to ruthlessness and to carrying positions by storm that we have to exhort the workers, but to reflexion and to that limitation wherein is revealed the master, to limitation that is not dictated by fear or weakness, but by the clear perception of what is possible or practicable at a given moment. This in no wise signifies renunciation of the idea of socialist transformation, which of course I have never advocated, but merely means desisting from attempting such a task with inappropriate means or under circumstances which render it impossible. The question now is whether the working class, when it comes to power, will be inclined to practise the qualities of reflexion and self-limitation which Marxism enjoins.

These qualities will be assimilated the soonest by the organized and trained section of the working class, and least of all by the unorganized and untrained section. Thus in the course of the Labour Revolution these two sections tend to fall into an antagonism, which sometimes breaks out into forcible conflict and outwardly recalls the struggles between the various fractions of the Middle Class Revolution, in which the radicals always dished the

moderates and constantly forced the pace of the Revolution. And thus it seems that the Labour Revolution obeys the same " law of life " as the Middle Class Revolution.

But in reality the two types of revolution are fundamentally different. The " forcing the pace " which was a struggle between different classes in the Middle Class Revolution, is in the case of the Labour Revolution a struggle between the members of the same class. In the Middle Class Revolution it was the most advanced elements of the propertyless classes which broke away from middle class leadership and embarked upon a struggle against the bourgeoisie, as radicals against moderates. In the Labour Revolution the entire working class is freed from middle class leadership, and the struggle of radicals against moderates is a struggle of the ignorant, unorganized, inexperienced, in other words, the most backward members of the working class against the trained, experienced, and most highly developed sections of the workers.

In both revolutions the radicals are bound finally to fail, but in the Middle Class Revolution they fail because their aim is unattainable in the existing conditions, because they attempt to banish poverty and misery while leaving commodity production untouched. In the Labour Revolution the Socialists of every school of thought have the same objective, which is now attainable. When the radicals fail in this instance, it is because, in their ignorance and carelessness, they steer blindly for their goal, without studying their course and taking account of its shallows and rocks. They do not fail because their class position impels them to attempt the impossible, but because they are in too much of a hurry to achieve what is attainable and within easy reach. Thus they break their legs and lose their capacity to continue advancing towards a goal that will never be reached by such methods.

Finally, we have to consider yet another distinction between the Middle Class and the Labour Revolution.

At the time of the Middle Class Revolution the conditions

of production are still of a very simple nature, and can stand a severe shock. Civil war and terrorism only temporarily injure the process of production, and the economic liberation which the Revolution effects is so immense that the damage suffered is rapidly repaired. After the Revolution production progresses by leaps and bounds, and an era of prosperity sets in. Thus the Revolution lives in the memory of the whole nation as a proud and fortunate episode. And in the minds of the propertyless sections, which succumbed to it, the Revolution is remembered as the first attempt to achieve their emancipation, which they intend soon to repeat with better judgment.

The process of production which prevails at the time of the Labour Revolution is, on the contrary, of an extremely complicated and sensitive nature. Every rude attack of amateurs or illiterates threatens to bring it to a standstill, and the suspension of production signifies death.

Consequently, when the above described "radical" elements come to the top in the Labour Revolution, and proceed to the most reckless destruction of the "old," so as to clear the path for the "new," the upshot is not merely the reaction which follows upon vanished illusions, pricked like brilliant soap bubbles, but complete economic ruin, such as we now contemplate in Russia with a shudder.

To the workers who survive these reprehensible methods of forcing the pace of the Revolution, the most radical elements of this Revolution will not appear in the same light as the radicals of the Middle Class Revolution, as the pioneers of the Labour struggle for emancipation to be remembered with reverence, but as its destroyers, to be held in abhorrence.

(*c*) The Counter-Revolution.

Fortunately for our cause, in addition to the one we have just considered, there is a further distinction between the Middle Class and the Labour Revolution.

In the former case, the bitter internecine strife among the revolutionaries after the overthrow of absolutism

was inevitable, as this overthrow was the result of the co-operation of various classes. With their newly won freedom, these classes immediately became conscious of their antagonisms, in pursuance of which they were bound to fight.

The Labour Revolution, on the other hand, is the work of a single class, although this class is divided into various sections which have reached different stages of development. These sections may come into conflict during the Revolution, but they are not bound to do so.

The tendency to conflict will be lessened to the extent that the trained and organized elements preponderate amongst the workers and prior to the Revolution have championed the interests of their weaker and unorganized brothers, winning their confidence by this means. Finally, the wealthier the nation is amongst which the Revolution takes place, the more highly developed will its productive machinery be and the more intensely will the latter operate. It will be all the easier for the victorious working class to proceed at once to alleviate at least the worst poverty existing in society, thus removing the stimulus for any rash action on the part of revolutionaries.

If the most recent revolutions show us a different picture, the fact is to be ascribed to a series of peculiar circumstances which flow from the terrible world war and its abnormal consequences, a knowledge of which we take for granted. All these circumstances, however, are of an exceptional kind, and will hardly be repeated, whatever form the future might assume.

The disastrous division into three camps of the fighting portion of the German working class will soon be a thing of the past. Hungry, even starving, Russia will also no longer fascinate those credulous simpletons who look longingly for the advent of a Messiah to redeem them.

If democracy succeeds in maintaining itself in Germany, which we have every reason to expect, united Social Democracy, as Marx and Engels anticipated in the case of England, will also conquer political power in Germany

by peaceful means so soon as the majority of the nation is behind it. By that time we shall have passed through the present desperate period of insufficient production and congested world markets, and the social sources of wealth will flow so copiously that they may be drawn upon abundantly. Then it will be possible for Social Democracy, having arrived at power, to effect a big improvement in the position of the poorest without prejudice to the general level of civilization, even while raising it and increasing the productive forces at the same time.

If the workers come to political power under these circumstances—and they are normal for the Labour Revolution—there will not be the slightest reason for the untrained and inexperienced members of the working class to turn against their more progressive comrades in destructive fury, in order to force the pace of the Revolution—really to ruin it. For we have every prospect that the backward section of the working class will in all confidence follow its vanguard, that is, its great organizations, and together with them will carry out the Revolution to the extent permitted by the relative political strength of classes and the objective economic conditions.

Amongst the socialistic working class there can only be a difference of opinion regarding *the pace* of the progress of the Revolution. This difference will not become so acute as to endanger the organized unity of Social Democracy.

The great political and trade union organizations of the working class will be able to co-ordinate the revolutionary activities of the whole class all the more easily if hitherto the progressive workers have aided their weaker brethren.

If the coming Labour Revolution is accomplished in this way, it will be preserved from the fate which befalls every middle class revolution, viz., the counter-revolution.

In her book from which we have already quoted, Rosa Luxemburg is of opinion that it is a law of life of every great revolution to press onward rapidly, bringing ever

more extreme elements to the front, as otherwise it will be crushed by the counter-revolution.

But the facts show that every middle class revolution moves on these lines, only to be eventually crushed by the counter-revolution. And this was no accident, but as much a necessity of nature as the feverish march of events following from the antagonisms of the classes which had acted in concert at the outbreak of the Revolution. It was inevitable that the propertyless classes should attempt the impossible. With their collapse, the Revolution lost its most energetic and faithful supporters, and was fated to succumb to the counter-revolution.

Upon this point Engels remarks in his introduction to *Socialism, Utopian and Scientific* :

" Upon this excess of revolutionary activity there necessarily followed the inevitable reaction, which in its turn went beyond the point where it might have maintained itself."

Immediately before this he had said, after illustrating this process by the example of the English Revolution of the eighteenth century :

" This seems in fact to be one of the laws of evolution of the bourgeois Revolution."

Yes, of the bourgeois, but not of the Labour Revolution, which is carried out under quite different conditions.

Unlike the Middle Class Revolution, the Labour Revolution is not made by a variety of classes, but by a single class. Behind it is no other class which might attempt to force the pace of development, and, whilst unable to establish a political order on its own account, might cause the collapse of the whole Revolution.

Where the Labour Revolution is accompanied by the internecine strife of the revolutionaries, and is therefore followed by the counter-revolution, this does not spring from a necessary " law of evolution," but from exceptional circumstances, which tend to become rarer, as they mostly arise from the survival of feudal conditions in middle class society.

Although the last political upheaval in Germany was not a Labour revolution in the proper meaning of the word, as it only brought temporary power to the working class, and although in this case, for reasons which are ultimately to be traced to the war and not to the Revolution, the working class became involved in fratricidal conflict, and thereby cleared the path for the counter-revolution, the latter has not yet assumed the proportions usual in middle class revolutions, and we may expect that the momentary reaction will soon reach its high-water mark.

After the great French Revolution, the peace of the grave reigned in France; there was complete absence of freedom of movement, and for a long time the masses felt no need for movement. This lasted a generation, until 1830. After the suppression of the rising of 1848, a dozen years elapsed before there were again signs of life in middle class and Labour democracy. Complete political stagnation characterized the interval from 1849 to 1860.

In present-day Germany, on the other hand, we can detect a subsidence of political interest on the part of the masses, and consequently a decrease in the socialist vote as compared with the middle class vote. But this phenomenon is not general, and is so insignificant that so far it has not effected any alteration in the relative strength of classes.

A real counter-revolution is only to be found in extremely backward countries, such as Hungary, where an illiterate population falls under Communist leadership, and even the trained section of the working class is swept off its feet.

As in other things, Russia is also peculiar in this respect. As her revolution is in essentials a middle class revolution, it follows that "the law of development of middle class society" and the "excess of revolutionary activity" is followed by "the inevitable reaction," which overshoots the mark.

Whereas this process has hitherto been carried out in

every country in the world through the agency of one party which overthrows another, it has been reserved for the Bolshevists themselves to carry out the transition from the revolution to the reaction. Astonishment is expressed at the vitality of their regime, but this does not depend upon the vitality of the revolution which they introduced, but upon the fact that, as soon as they saw the end of the revolution approaching, they thoughtlessly took over the functions of the counter-revolution themselves.

The Vicar of Bray was ready to serve any Government, revolutionary or reactionary, with equal devotion. Lenin beat the Vicar, inasmuch as he himself formed both revolutionary and the reactionary regimes.

We have every reason to expect that the coming Labour Revolution, that is the conquest of political power, will be achieved on the basis of democracy, and therefore peaceably ; that it will not lead to internecine strife, and consequently will not be followed by counter-revolution. It will lack the impetuous progress which characterizes the Middle Class Revolution, but its progress will be all the surer, inasmuch as it will not be checked by serious reactions and setbacks.

Wild-eyed revolutionaries may object to this interpretation. For them a revolution without massacre and terror is not a proper revolution, but merely milk and water reformism. Their notions of the revolution only prove how conservative their minds are, in spite of all their revolutionary utterances. They cannot conceive of a revolution except on the lines of the middle class revolutions of the past. Whatever one may think about the Labour Revolution of the future, one thing is certain : it will assume quite a different form, because it will be accomplished under quite different conditions, from those of the middle class revolutions, whose history has hitherto supplied us with our knowledge and ideas of revolutions in general.

(*d*) The Policy of Coalition.

If we regard the political revolution as the conquest of political power by a class (or a coalition of classes) hitherto excluded from State power, we may detect many differences between the Middle Class and the Labour Revolutions from this standpoint.

At this stage we need only examine one of these.

The Middle Class Revolution ended in counter-revolution, the instrument of which is usually military dictatorship. This is made possible by the fact that, after the ravages of the internecine strife into which they plunge, the various classes of the Revolution—bourgeoisie, peasants, and workers—reach a state of equilibrium, in which none of these classes is able to assert its political dominance over the others. At this stage democracy is not yet firmly rooted, while the civil war and the foreign wars which are a frequent incident of the revolutionary period result in the creation of a new, strictly disciplined army which takes the place of the old and now dissolved army of absolutism. Whoever controls this army may easily become master of the classes that are holding each other in check. Thus the revolution ends in what is termed Bonapartism or Cæsarism.

In the case of a real, and not, as in Russia, an apparent Labour revolution, all the conditions are lacking for such a development, which was an inevitable termination of the Middle Class Revolution. They are absent because democracy is well established at the commencement of the Labour Revolution, whose political struggles are not fought out through the agency of civil war, which sets up a new militarism in place of the one that has been abolished. Moreover, the Labour Revolution presupposes at its inception a preponderance of the working class over all other classes, so that only a split in the Labour ranks would enable the opponents of the Revolution to recover their lost advantages, which is by no means likely, and indeed only happens in exceptional cases.

Yet the state of equilibrium of classes which marks the close of the Middle Class Revolution may exist at the inception of the Labour Revolution. This condition arises at a time when the workers are not far enough advanced to gain political power for themselves, but are too strong for any of the middle classes to maintain its rule in opposition to the workers.

At this conjuncture orderly political administration and consequently a flourishing economic life would be quite impossible, if efforts were made to form a pure class Government. The State and society and all its sections, including the workers, would be overtaken by dire necessity. Civil war, the attempt of one class to suppress its opponents by force, would achieve nothing but complete economic collapse to the extent of what we see to-day in Russia, assuming that this policy was practicable under the developed democratic institutions which we are predicating.

Under these circumstances only two forms of Government are possible: either one of the parties would form a Government with the acquiescence or support of at least one of the opposing parties, whose prejudices would have to be taken into account, or the Socialists would form a coalition Government with one or several of the middle class parties.

Examples of the first type of Government are to be found in Austria and Sweden. In Sweden there is a purely Socialist Government whose vitality depends upon Liberal support. In Austria there is a Christian Socialist Government, which would become impossible on the day the Socialists decided to overthrow it.

Previously there was a coalition Government in Austria. in which the Socialists participated. This was also the case in Belgium and Denmark. We had a Socialist-bourgeois coalition Government in Germany.

To support a Government because it is the best under the circumstances, without taking part in or influencing Cabinet discussions, or to enter such a Government and directly assent to its decisions, may sometimes be an

important tactical distinction, but never a question of principle. There are some politicians who are chiefly agitators, and consequently shrink from open co-operation with middle class elements, preferring to employ covert methods. Thus, for example, among the German Social Democracy, at the time of the old electoral system, it went without saying that votes were cast for a member of the middle class Opposition, a Democrat or a Centre Party candidate, at the second ballot. But a special arrangement to this end with the parties concerned would have been rejected by many of our radicals as base treachery to the principles of the class struggle. Thus many Socialists to-day consider it reprehensible to enter a coalition ministry, even when its necessity is fully recognized.

Appeal is constantly made to the principle of the class struggle in support of this rigid attitude. Now it is certainly one of the most eminent services of Marx and Engels that they recognized the significance of the class struggle in politics, but they never dreamed of maintaining that a class could only effectively safeguard its interests by remaining completely isolated. Do I cease fighting because I seek allies in order to maintain the struggle more successfully ? Of course, if I have allies, I must take them into account, and this might prevent me from imposing such severe conditions on the beaten foe as I could do if I defeated him alone.

The attitude of refusing to join a coalition under any circumstances arises from that conception of the class struggle which regards all middle class parties as equally reactionary, an idea that nobody opposed more than did Marx, because it countenanced class narrowness more than class consciousness.

An important contribution to this question was made by Otto Bauer in an article published in the Berlin *Freiheit*, under the title of " Coalition Governments and the Class Struggle."

He distinguished between two types of coalition Government, one of which he called the " reformist." This type

of Government is formed at a time when the middle class is considerably more powerful politically than the workers, and is therefore not obliged to grant them any concessions. Once a solitary Socialist enters a middle class Government, he becomes responsible for a purely capitalist governmental policy.

The position is quite different to-day when the workers are so strong as to be able to hold the other classes in check.

" Where power is so evenly distributed among the classes, a coalition Government may be a temporary necessity."

With this I heartily agree. Yet it seems to me that Bauer has the special conditions of Austria too much in mind when he emphasizes military power as one of the weapons which the workers must employ, in order to strengthen their position.

" Reformist ministerialism allows Labour parties to share in the powers of government, although the various military and economic resources are still monopolized by the bourgeoisie; but the Austrian coalition Government was based on the fact that such weapons as the control of the army and of the means of transport had fallen into the hands of the workers."

Bauer is manifestly of opinion that the workers in the parties belonging to the Second International are less powerful than the workers of Austria, else he would not have added that " reformist ministerialism to-day dominates the parties of the Second International."

In my judgment, the working class is stronger in Germany than it is in Austria, although in the former case it does not control the militia, and is moreover far superior numerically to the peasantry than in the Alpine countries. This applies still more to England, where there is no longer a peasantry. The peasantry is strong in Belgium and Denmark, but even there the workers occupy a position of relative strength certainly equal to that of the Austrian workers. A coalition policy in these countries would therefore not partake of the character that Bauer describes as " reformist ministerialism."

But Bauer is quite right when he asserts that a coalition policy has all the greater prospect of success, and the dangers which it involves are all the more diminished, when a powerful Labour movement stands behind the Ministers in a coalition Government. Once a coalition policy becomes unavoidable, the Labour movement should be made as powerful as possible, in order to extract the fullest advantages for the workers from this policy.

The opponents of the policy of coalition in our ranks usually dilate upon the comparative advantages of a purely Socialist Government.

But this comparison is absurd, for no Socialist would prefer a coalition Government, if given the choice of a Socialist Government. Only the latter type of Government can pave the way to Socialism, and proceed energetically and systematically to the socialization of the capitalist process of production. About this there can be no question. We are, however, referring to the stage at which the workers are not strong enough to set up and maintain a purely Socialist Government, although they are powerful enough to render any Government impossible which adopts an attitude hostile to Labour. At this stage the alternatives are either a coalition Government or a middle class Government by the favour of the workers.

A purely Socialist Government, dependent upon the goodwill of the Liberal Party, such as the British Labour Government of 1924, could not accomplish the tasks which a Socialist Government, supported by a powerful Labour movement, would be able to execute.

It might happen that, if a middle class regime creates extraordinary difficulties, the Socialist Party would prefer to leave to the bourgeoisie the unenviable task of clearing up the mess, for example, dealing with the consequences of the war. But it might very often be extremely dangerous for Labour to leave the middle class parties in unrestricted control of the resources of the State. It is Bauer's opinion that the Austrian coalition policy was justified because the workers in that country controlled the armed forces.

I might add that precisely because they controlled the armed forces, the Austrian Socialists were able to risk leaving the coalition as soon as it became inconvenient to them.

In a country where Labour does not control the armed forces, and this will be the rule for a long time to come, the greatest disasters are likely to happen if Social Democracy leaves the entire resources of the State in the hands of the middle classes, without exercising any control or having any say as regards their employment.

It may be admitted that the idea of coalition is obnoxious to Labour. None of the middle class parties is a pure class party, but each is comprised of an assemblage of various class elements. Only the Labour Party is a purely class party. By virtue of their class position, the workers are in the strongest opposition to the existing order, and this impels them to offer constant opposition in the State. Consequently, to abandon their post of opposition for any purpose short of the immediate overcoming of capitalism would go very much against their grain.

But our actions must be dictated by our perception of what is fitting rather than by our class feelings. The above considerations explain why those who object on principle to the idea of coalition and the surrender of the post of opposition find support among the workers more readily than those holding the opposite opinion.

They explain why the idea of coalition only slowly makes headway, but they cannot prevent the arrival of what is inevitable. Given the stage at which the capitalist countries have now arrived, the idea of coalition, in spite of all opposition, will gain ground and tend to dominate Labour politics, not as substitute for the Labour Revolution, but as preparation for this Revolution, that is to say, the sole political rule of the workers through the agency of a purely Socialist Government.

In his well-known criticism of the Gotha programme of German Social Democracy, Marx wrote :

" Between the capitalist and the Communist social order lies the period of the revolutionary transformation of the

one into the other. To this there would correspond a political period of transition, when the State could be nothing else than the revolutionary dictatorship of the proletariat."

In the light of the experiences of recent years pertaining to questions of government, we might vary this sentence by saying :

" Between the time when the democratic State has a purely middle class Government and the time when it has a purely Labour Government extends a period when the one is being transformed into the other. To this a political period of transition would correspond, when the Government would generally assume the form of a coalition."

This would apply to all countries where the conquest of political power by Labour is effected by means of democracy, which is the normal method now that the military monarchies have collapsed.

Those who to-day reject the policy of coalition on principle are oblivious to the signs of the times, and incapable of rising to the height of their tasks.

III

THE STATE OF THE TRANSITIONAL PERIOD

(*a*) Socialism and the State.

As soon as the workers capture political power, they will use it to transform the State and the economic system, so far as the latter is susceptible to political manipulation, in accordance with their interests.

With respect to the State, we have to distinguish between the period of transition from capitalist to socialist production, and that of complete Socialism, but here we need only deal in detail with the former.

Marx and Engels made only passing references to the problem at the period of complete Socialism. They asserted that, as soon as Socialism was realized and class distinctions obliterated, the State would, in fact, not be abolished, but die out, because it would lose its functions. For, they said, the State is an organization of an exploiting class for maintaining the conditions of its exploitation, and therefore for repressing the exploited class. With the disappearance of the distinction between exploiting and exploited classes, the State becomes bereft of purpose, and loses its functions one after another.

These pronouncements have caused much head-splitting. Lenin refers to them in his booklet, *Socialism and Religion*, published in the summer of 1917.

Like many other revolutionaries, Lenin interprets the Marx-Engels' conception of the decay of the State to mean that the anarchist ideal of the complete liberty of the

individual will then emerge. "Each person will be voluntarily engaged in work according to his capacities, and each will freely take according to his needs" (Lenin, p. 81).

Such a state of things may exist some day, but there is nothing in the conditions as we know them to-day to indicate that we have reached this point. Lenin himself admits that the "second phase of Communism" will only lead to the decay of the State in the sense of complete anarchy. He appeals to the authority of Marx, who distinguishes two phases of Communism in his programme criticism, from which we have already quoted. In the first phase every worker will be paid according to his needs, and in the second the productivity of labour will be so great that "society will be able to inscribe on its banner: from each according to his capacities, to each according to his needs."

When we come to deal with economics, we shall see how this apparently Utopian pronouncement is to be understood.

To-day we cannot see beyond what Marx designated as "the first phase of Communism." All that we might imagine concerning the second phase would not be inferences from known facts, but conjecture, which might have its value as an intellectual exercise, but would be very unsuitable to serve as a guide to our actions.

We shall achieve a good deal if we obtain clear ideas concerning the functioning of the State during the first phase of Socialism.

To elucidate this question, we must draw a distinction, which is generally overlooked, between the subordination of the individual, and that of the class, to the community.

Man is by nature a social animal, and in the earliest times, long before the formation of the State, we find groups of men united in specific organizations, with specific ordinances and laws, which, although primarily laws of usage, are nevertheless strictly carried out. One need only recall the marriage regulations, the meal customs, the law of inheritance, the laws of hunting, and many other

regulations which we find among the Australians, who are far removed from any political community. Thus the absence of a State in no wise signifies complete liberty of the individual, but it occurs in the earliest social conditions accompanied by the subordination of the individual to the community and its ordinances.

Before the emergence of the State we find communities existing with definite constitutions, for example, the gentile or Mark constitutions, with a civil and military power ; the former with police and juridical functions, and both powers subject to a sovereign assembly of the people, by which they are set up, and by whose decisions they are bound.

When therefore the State came into existence with the emergence of classes and the consolidation of various communities under a central power, it did not signify an innovation. It was grafted on to the organizations which had preceded it, and developed them further, in doing which it invested them with all kinds of functions which had not previously been theirs, and gave a new significance to old functions, such as those of the police and the judiciary, turning protection of the community from refractory members into protection of the ruling class from those it ruled.

Morgan has pointed out that the constitution of the Stateless gentile society may be detected in the Athenian political constitution (*Ancient Society*, 1878, p. 120).

If class society should be abolished in the period that lies before us, the consequent decay of the existing forms of the State will by no means signify the complete freedom of the individual. The social process of production will more than ever be organized systematically, and it will not do for its functioning to be dependent upon individual caprice. Class struggles will disappear, and with them a number of the tasks of government, but the economic tasks of the community will multiply. Just as the constitution of the nascent State assimilated the gentile and Mark constitutions, so the incipient socialist community

will assimilate the political forms surviving in the period of transition from capitalism to socialism. Whether the community of the future will continue to be called a State or not is essentially a question of terminology.

In the interests of clear thinking, it is extremely important to distinguish various phenomena by different designations. But from its beginning the State has assumed such a variety of forms, all of which are described by the same name, that to many people the State has come to mean a sovereign community.

When an oriental despotism and a democratic republic, rigidly centralized France and the loose federation of the British Empire, may all be called by the same name of "State," it is really not a matter of great moment to refuse this name to the Socialist community.

As a scientific designation, the word "State" says very little if it is not preceded by an adjective to define the kind of State it is. Consequently all investigations into the nature of the State *per se* are more or less futile. It may equally be condemned as a devilish institution and praised to the skies as the embodiment of the highest social ideal. Thus it is not of considerable importance to the clarity of social thought whether we invent a special name for the community of the future, or call it the Socialist State to differentiate it from previous types of the State.

One point remains to be discussed concerning the relation of Socialism to the State. In his preface to the brochure, *Internationales aus dem Volkstaat*, which appeared in 1894, shortly before his death, Engels speaks of the political aim which he and Marx pursued. It was:

"The supersession of the entire State, and, therefore, also of democracy."

Engels does not explain what he means by this observation. This sentence was a godsend to Lenin, who exploited it with a vengeance. It does not dispose of my objections. For democracy is older than the State, and is not necessarily bound up with it. Communities anterior to the State were democratically organized, and the State has

often proved itself hostile to democracy. Not until the advent of modern capitalism has there been a revival of democracy, which, however, contains the seeds of Socialism, and therefore the seeds of the State's decay in the Marxian sense. On the assumption that Socialism will cause the State to die out, democracy will survive the State.

In advocating the opposite standpoint, Lenin reaches a remarkable conclusion. He says that so long as classes exist a complete democracy is impossible. It will not be possible until classes are abolished, and, therefore, the State ceases to exist. This is to say democracy will not become possible for Lenin until it disappears. Concerning the socialist society, he states: "Only then will a really full democracy be possible and be realized, a democracy without any exceptions. And only then will democracy begin to wither away" (p. 74).

Thus real democracy will emerge for us in the very moment of its disappearance. Lenin calls it "real" evidently because in his opinion it does not exist in reality.

If instead of groping amid the fog of Lenin's "real democracy," we ask ourselves what the constitution of the socialist community will be, it is obvious that no other constitution is conceivable than that of the democratic Republic. This we will maintain. The discovery of the proper name for the new type of community which will arise with the Social Democratic Republic is a task which may be left to the younger generation.

(*b*) The Marxian Conception of the Transitional State.

The question we have just discussed as to the type of the community when Socialism is fully realized is an academic question. Yet it is not unimportant, because it is always useful to follow an idea to its logical conclusion.

On the other hand, the question of what constitution is required by the State in the period of transition from capitalist to socialist economy, when the workers have captured political power, although capitalist production

is still going on, is of the highest practical and immediate importance.

We would emphasize that we are here speaking of the constitution of the State. Neo-Communism, which has made this question a practical one, confuses the question of the organization which the State ought to have with the social effects which arise from this organization under specific social conditions.

In the passage we have already quoted, Marx spoke of the State of the period of transition from capitalism to socialism, which "could not be anything else than the revolutionary dictatorship of the proletariat."

This leaves undecided the question of the constitution through which this dictatorship would be expressed. Lenin introduces the greatest confusion into this question in his attempts to clarify it. He distinguishes between the form of the State and the form of the Government. The proletarian State form is the dictatorship of the proletariat, the bourgeois State form is the dictatorship of the bourgeoisie. With respect to the State form, he distinguishes between forms of government, or what we should call the political constitution: republic, absolute or constitutional monarchy, etc. These distinctions are for him of very slight account, at least for the period of the "dictatorship of the bourgeoisie." But he takes the greatest pains to elaborate the necessary constitution for the dictatorship of the proletariat.

The description of the middle class State as the "dictatorship of the bourgeoisie" is one of the most absurd fictions that our age has produced. It clearly shows the crudeness of Bolshevist thought, which reduces the totality of the economic and political struggles of our time to the antagonism between the proletariat and the bourgeoisie. Yet Bolshevism itself is always being pulled up short by the reality of the peasantry on its own doorstep.

The bourgeoisie have never been the sole possessors of political power, exercising their dictatorship in this sense. They have constantly been obliged to form a political

alliance with various classes, the landlords, the peasantry, the lower middle class, the bureaucracy, and even with the workers, as the English Liberals did for several decades.

What appears as the dictatorship of the bourgeoisie, their dominant influence over Parliament, Governments, the Press, etc., is not the result of a State form, but of their economic and intellectual superiority. Consequently, in advanced capitalist countries this influence is exercised under any political constitution, or, to use Lenin's language, form of government.

The dictatorship of the proletariat is quite a different matter. It cannot arise from an economic or intellectual superiority, which finds expression under all forms of government. It can only be the result of the possession of political power by the workers, which fact presupposes a definite form of government.

In this idea of the dictatorship of the proletariat a Marxian inconsistency has been detected. For, it is said, according to Marx, the political superstructure rests on the economic foundation. How, then, is it possible to break down economic superiority by a purely political force? Every class that is economically the stronger will always be the stronger politically.

This is a favourite objection of anarchists to the political struggle. They desire to paralyse capitalism by purely trade union action. This is logical enough, but for all that it is not true. For in what manner can the trade union organization of the workers abolish the economic superiority of the possessors of the source of life of labouring mankind? As a matter of fact, behind their emphasis upon the purely trade union struggle lurks in the minds of anarchists the idea of smashing the economic superiority of capital by the destruction of the capitalist means of production.

But the Bolshevists are downright inconsistent when they champion the opinion that economic superiority is always bound up with political superiority. On these lines, the Georgian Bolshevist, Macharadse, argued against the Menshevists of his country, who contended that,

although the country was not sufficiently advanced for capitalism to be entirely abolished, they could still have established the political rule of the workers. This is quite impossible, avers Macharadse :

" The assertion of the political hegemony of the working class is only a fiction, for political power is always based on economic power, and conversely."

This is a wholly mechanical conception of historical materialism. The political and economic power of a class do not always coincide. If this were the case, then all the Socialist parties from the extreme Right to the extreme Left might disband.

The truth is merely that the political power of a class does not depend upon its inclinations or its will, but upon economic conditions. These conditions might at times invest a class with greater political power than is justified by its economic power.

The same capitalist development that makes the workers the most numerous class of the population also creates the conditions for the victorious progress of democracy, under which the most numerous class eventually attains to a dominant position in the State, and this in its turn reacts upon the economic conditions. It is noteworthy that Lenin himself perceives this in one passage of his work, *The State and Revolution.*

" If everyone really takes part in the administration of the State, capitalism cannot retain its hold. As a matter of fact, capitalism, as it develops, itself prepares the ground for everyone to be able really to take part in the administration of the State. We may class as part of this preparation of the ground the universal literacy of the population, already realized in most of the more progressive capitalist countries ; then the education and discipline inculcated upon millions of workers by the huge, complex, and socialized apparatus of the post, railways, big factories, large scale commerce, banking, and so on " (p. 103).

He further considers that, with such an economic groundwork, it is quite possible, immediately within twenty-four

hours, to pass to the overthrow of the capitalists and bureaucrats. This is an incursion into the realm of phantasy. But he is quite right in stating that in present-day society democracy will eventually render capitalism impossible, and that capitalism creates the conditions for the operation of democracy upon socialist lines.

It is a pity that in 1917 Lenin did not raise the question as to whether these conditions existed in Russia. This would have saved the lives of millions of Russian workers, peasants, and intellectuals, and preserved the Russian State from complete dissolution.

Only occasionally does he perceive that the conquest and exercise of political power for the attainment of specific economic ends depends upon specific economic conditions.

While in his view the " State form " of the " dictatorship of the bourgeoisie " is independent of the various forms of government, he sees clearly enough that the " dictatorship of the proletariat " is bound up with a specific " form of government." But he seeks more than a form of government, which under given economic conditions would enable the workers to conquer and freely employ the political power. He seeks a form of government which, by virtue of its mere existence, would assure the dominance of the proletariat, independent of all economic conditions.

Lenin believes this form of government has been found in the constitution of the Soviet Republic. Experience has now shown that this constitution does not maintain the rule of the proletariat under all circumstances.

That no constitution can be devised which would assure the rule of one class irrespective of all economic conditions is implied by the materialist conception of history, and it is a very peculiar brand of Marxism which, from the standpoint of economic determinism, sets out to discover a form of government of this kind.

Our present task is quite different. We have merely to discover under which political constitution the political rule of the workers is possible.

Not every constitution is suitable for this purpose. Marx stated in his *Civil War in France*:

"The working class cannot simply seize the available machinery of the State and set it in motion for its own ends."

Lenin quotes this sentence in conjunction with a passage from a letter which Marx wrote to Kugelmann on April 12, 1871:

"If you look at the last chapter of my *Eighteenth Brumaire*, you will see that I declare the next attempt of the French Revolution to be: not merely to hand over, from one set of hands to another, the bureaucratic and military machine—as has occurred hitherto—but to *shatter* it; and it is this that is the preliminary condition of any real people's revolution on the Continent."

If we consult the *Eighteenth Brumaire*, we find the following references to this subject:

"This executive power, with its enormous bureaucratic and military organization, with its multiform and artificial machinery of government, with its army of half a million officials, side by side with a military force of another half-million, this frightful parasitic organism covering as with a net the whole body of French society and blocking up all its pores, had arisen in the period of absolute monarchy, at the time of the fall of feudalism. Every revolution brought this machine to greater perfection instead of breaking it. The political parties, which alternately struggled for supremacy, looked upon the capture of this gigantic governmental structure as the principal spoils of victory.

"The political centralization which modern society needs is erected on the ruins of the military and bureaucratic governmental machinery which was fashioned in opposition to feudalism."

From these and similar passages, Lenin draws the inference that the chief task of the victorious working class is to destroy the State power. He attacks the "opportunists," and especially myself, because we do not see this.

"The opportunists of modern Social-Democracy do not, on any account, want to hear of the destruction of the State, of the removal of the parasite.

"'The annihilation of the power of the State,' which was a 'parasitic excrescence,' its 'amputation,' its 'destruction,' the power of the State 'now becomes superfluous'—these are the expressions used by Marx regarding the State."

In these and numerous similar passages Lenin refers to the State and the State machinery, which the victorious proletariat will have to destroy.

In this respect Lenin is distinguished from the Bakunists merely by the fact that, after the destruction of the existing State, the victorious proletariat will immediately—

"Start the building of a new proletarian State machinery by introducing the necessary measures to secure a wider democracy, in which bureaucracy shall be uprooted."

Nothing is easier than to reduce Lenin's arguments *ad absurdum* by showing how the new "proletarian" State machine, which has been set up in place of the old and shattered machine, looks. What has happened to the greater democracy and the extirpation of bureaucracy and militarism, these parasitic excrescences, which the new Communism promised us?

Here, too, is revealed the middle class character of the present Russian Revolution, in spite of its Communist inscription, to which is applicable the dictum of Marx regarding the middle class revolutions of France:

"Every revolution brought this machine to greater perfection, instead of breaking it."

Yet this objection merely demonstrates the inability of Lenin and his disciples to carry out their own programme; the light-hearted abandonment of their principles, as well as the backwardness of Russia. It throws no light upon the problem we are now concerned with.

Yet its solution is not far to seek. We have merely to read what Marx has written, without being influenced by Lenin's interpretation. And then it becomes clear that

Marx did not in any way mean that the workers could under no circumstances establish their rule without destroying the transmitted State machinery. Marx rejected only a special form of this machine, the bureaucratic-militarist form, which had reached an exceptionally high stage of development in the second French Empire, and which at the time Marx wrote the passages that have been quoted was either in full swing (*The Eighteenth Brumaire*) or had just been destroyed (*Civil War in France*, Letter to Kugelmann).

That these remarks did not apply to every existing State is expressly declared by Marx himself, when he states that the destruction of the " bureaucratic-militarist machinery " is the " preliminary condition of every real people's revolution on the Continent."

Thus he expressly excepted England. Of course, Lenin contends that this exception is no longer valid. To-day the bureaucratic-military machine has become omnipotent even in England. It is one of the distinguishing characteristics of the leaders of the World Revolution that they have no suspicion of what is really happening in the world.

Since 1871 England has become far more democratic than she was at that time, and since the recent world war she has again considerably reduced her military establishment, which during the war had been expanded to the utmost limits in order to destroy the military machine in Central Europe. To-day there are only two great States in Europe where the destruction of the " fearful parasitic excrescence of bureaucracy and militarism " is still necessary for a " real people's revolution " in the Marxian sense, and they are France, the Empire without an Emperor, and to a far greater extent Russia, the Czardom without a Czar. It is a legitimate inference from Marx's words that the destruction of the existing State machinery of Russia is an indispensable preliminary to any working class progress.

This is so clear that I understand the Leninite philippic against bureaucracy and militarism, written immediately

before the Bolshevists came to power, is now strictly forbidden by the agents of the Cheka as a subversive and therefore a counter-revolutionary piece of writing.

From the Marxian principles we may draw the following inferences without fear of contradiction.

The working classes may not seize any State machinery and operate it for their own purposes. A bureaucratic-militarist State machine is unsuitable to this end. The only suitable instrument is the democratic Republic, which a victorious working class must establish where it is not already in existence. In the year 1871 and for a long time thereafter this seemed to be an essential task of the workers everywhere. The last few years have brought about a fundamental change. Almost everywhere in Europe the victorious workers find the democratic Republic already in existence, and there they have no need completely to destroy the State machinery, but only to remove vestiges of the monarchy as well as bureaucratic and military privileges.

That the Marxian observations concerning the breaking-up of the State apparatus did not apply to every State, but merely to the military monarchies, is pronounced by Engels to be the case in his criticism of the German Social Democratic draft programme of 1891, where he states:

"If anything is certain, it is this, that our Party and the working class can only achieve power under the form of the democratic Republic. This is even the specific form for the dictatorship of the proletariat."

On the other hand, Engels said that the Paris Commune of 1871 was the dictatorship of the proletariat. The constitution of the latter was that of a democratic Republic.

(c) Workers' Wages as Ministers' Salaries.

Lenin himself cannot deny that Marx emphasized the democratic character of that "dictatorship of the proletariat," the Paris Commune. Lenin is the less concerned to do so, as in the summer of 1917 he had by no means forsworn democracy for the period of dictatorship, although

it had already commenced to be inconvenient for him. He merely draws a distinction between bourgeois and proletarian democracy. It was the latter and not the former which Marx had prescribed for the period of transition. Because I did not myself make this distinction, Lenin reproached me with opportunism and treason to proletarian principles.

But wherein consisted the specific proletarian element in the democracy of the Paris Commune? It did not substitute class franchise for universal suffrage; it did not restrict political power to a special class—according to the accepted use of language that does not signify democracy but its opposite. Democracy means the abolition of all political privileges attaching to an estate or a class.

No, in 1917 Lenin sought elsewhere for the distinction between bourgeois and proletarian democracy:

"Kautsky has not in the least understood the difference between a middle class parliament combining democracy (not for the people), and proletarian democracy, which will take immediate steps to cut bureaucracy down at the roots, and which will be able to carry out measures to their logical conclusion, to the complete destruction of bureaucracy and the final establishment of democracy for the people. Kautsky reveals here again the same old "superstitious respect" for the State, and "superstitious faith" in bureaucracy" (*The State and Revolution*, p. 113).

If proletarian democracy consists in the immediate and complete extirpation of bureaucracy, then no State is further removed from "proletarian democracy" than the State that was governed by Lenin.

But wherein consists my superstitious faith in bureaucracy?

It lies in the fact that I have unwittingly ignored three conditions which Marx in his *Civil War in France* prescribed as conditions of the Commune, and which seem of fundamental importance to Lenin. In them he perceives the basic elements of proletarian democracy.

It is true that I have hitherto ignored these conditions.

Not out of a superstitious faith in bureaucracy, but because I did not attach great importance to them. And it would appear that Marx and Engels were of the same opinion, as, apart from the few sentences in the *Civil War* which Marx devotes to these conditions, and the explanation thereof which Engels gives in his 1891 preface, neither of them have, according to my recollection, made any further reference to the matter, whereas they have frequently and in detail referred to the other democratic institutions which were either introduced or made use of by the Commune: the transformation of the standing army into a militia, universal suffrage, municipal government, and so on.

The conditions which seem to Lenin so noteworthy are contained in the following passage of the *Civil War*:

"The Council of the Commune consisted of municipal representatives elected by universal suffrage in the various districts of Paris. They were responsible, and could be recalled at any time. The majority were, naturally, working men, or acknowledged representatives of the working class. The Commune was not supposed to be a parliamentary, but a working association, executive and administrative at the same time. The police, until then merely an instrument of the Government, was immediately stripped of all of its political functions, and turned into the responsible and at any time replaceable organ of the Commune. The same was applied to the officials of all other branches of the administration. From the members of the Council of the Commune down to the humblest worker, everybody in the public services was paid at the same rates as ordinary working men."

These conditions are supposed to mark the fundamental difference between bourgeois and proletarian democracy, and to impart to the latter its special character.

Let us consider the last-named condition, the payment of workers' wages for public service. Lenin comments as follows:

"Here is shown, more clearly than anywhere else, the break from a bourgeois democracy to a proletarian demo-

cracy ; from the democracy of the oppressors to the democracy of the oppressed ; from the domination of a " special force " for the suppression of a given class to the suppression of the oppressors by the whole force of the majority of the nation—the proletariat and the peasants. And it is precisely on this most obvious point, perhaps the most important so far as the problem of the State is concerned, that the teachings of Marx have been forgotten " (p. 45).

Most ominously, even in Soviet Russia, after a temporary revival.

Why does the peasant suddenly turn up here ? Since when has the peasant democracy been, not a bourgeois, but a proletarian democracy ? Yet Lenin is right to refer to the peasant in this connection. Cheap government is desired, not merely by the working class, but by the lower middle class and the peasants. The latter advocate it even more than the workers, who have large demands to make upon the State. Nowhere in Europe at the time of the Paris Commune were the salaries of the higher officials lower than in Switzerland, which nobody would take for a proletarian democracy. Thus the practice of the Paris Commune is certainly not something which characterizes proletarian democracy, nor did Marx in any way put it forward as a specifically proletarian demand.

It goes without saying that a Labour republic, like a peasant or lower middle class republic, will abolish all the privileges of higher officialdom. That the members of the Commune only drew workers' wages was a very creditable act, in contrast with the corruption of the Empire.

But after the experiences we have since encountered, and especially after the experiences of Russia, it may well be doubted whether in the period of transition to Socialism it will be possible to staff all the offices of the State with the requisite intellectual forces, if they are to be offered merely a worker's wages.

It is admitted that the tendency of economic development is towards a narrowing of the difference between the reward of intellectual and of manual labour. Yet the

importance of many phenomena which have appeared during and since the war should not be exaggerated. Frequently during and after the war the wages of many simple manual workers soared beyond the remuneration of particular scientific workers. If we look at the matter more closely, we shall find that this does not represent a general tendency, but a phenomenon which is confined to the countries with a rapidly falling exchange, as well as to the class with fixed salaries, which at a time of shrinkage in the purchasing power of money cannot secure advances in salary as quickly as the workers can secure increases in wages.

This is not to be confused with the general tendency, which was becoming apparent before the war and the Revolution, towards an over-production of intelligence, causing a multitude of intellectuals to fall into an ever lower economic position, while particular sections of manual labour are in the ascendant. Thus a gradual approximation of the economic position of both classes is taking place. This approximation may be expected to make further progress after the conquest of political power by the workers, no longer through a levelling down of the mass of the intellectuals, but through a levelling up of the entire working population. We may suppose that in a fully developed socialist society the economic as well as the social distinction between manual and brain workers will be abolished.

But here we are concerned with a phase of the period of transition. In another connection we will discuss the economic reasons which render it simply impossible to maintain the practice of the Commune quoted by Marx, with which we have always been sympathetic.

We will quote the reasons advanced by Lenin why all public services should immediately be remunerated on the basis of workers' wages. He says :

" Capitalist civilization has created industry on a large scale in the shape of factories, posts, telephones, railways, and so forth : and on this basis the great majority of

functions of "the old State" have become enormously simplified and reduced in practice to very simple operations, such as registration, filing, and checking. Hence they will be quite within the reach of every literate person, and it will be possible to perform them for the usual working man's wage" (p. 46).

"The workers, having conquered political power, will break up the old bureaucratic apparatus, they will shatter it from its foundations up, until not one stone is left standing upon another: and the new machine which they will fashion to take its place will be formed out of these same workers and employees themselves. To guard against their transformation into bureaucrats, measures will be taken at once, which have been analysed in detail by Marx and Engels:

"(1) Not only will they be elected, but they will be subject to recall at any time.

"(2) They will receive payment no higher than that of ordinary workers.

"(3) There will be an immediate preparation for a state of things when all shall fulfil the functions of control and superintendence, so that all shall become "bureaucrats" for a time, and no one shall therefore have the opportunity of becoming 'bureaucrats' at all" (p. 113).

Thus immediately before Lenin seized the reins of power, he imagined that the functions of society had been so simplified by capitalist civilization, by the posts and the telephone, that they could be performed by anyone who could read and write. The State officials would have nothing to do but to control and register—whom and what are not stated. Perhaps one would merely have to check the registration of the other, and the other would have to register the result of checking the former. And in this fine business everybody could immediately participate one after the other.

Such was the childish conception of the functioning of the State power entertained by the greatest genius of Bolshevism immediately before his *coup d'état*. Truly the

Russian people have a strong constitution to have been able to stand this regime of brazen ignorance for five years without being completely exterminated.

(*d*) The Recall of Deputies.

The second Marxian requisite, which in Lenin's view proletarian democracy must fulfil, is the election of officials by universal suffrage, and the recall, not merely of officials, but of deputies to the Commune, to the Town Council.

Here we must again inquire where the election of officials by the people on the basis of universal suffrage takes place in Lenin's Empire, and wherein consists the special proletarian element in this practice, which we have long seen in operation in bourgeois Switzerland. This is certainly an important question, but we have never shut our eyes to it.

When Lenin felt himself obliged to put forward this demand again in 1917, the while he heaped abuse on earlier Socialists who were alleged to have ignored it, he was taking coals to Newcastle.

The recall of deputies is anything but a novel demand, and has been urged by many bourgeois democrats. At the time of the Paris Commune it was advocated to a far greater extent than it is to-day.

It originated at a time when the electors confronted the deputies as an unorganized mass. At the time of the Paris Commune this was generally the case. Once the deputy was elected, he could do as he liked. His electors lost all control over him. Thus the idea arose that the electors ought to be able to recall a deputy who had deceived them. This would not have been a simple procedure, at least with secret ballot, for how could the opinion of the electors be ascertained? It would only be possible through a new election. A minority in a constituency hostile to the deputy would always have it in their power to compel the member to submit to a new election at any moment, even when he was fulfilling the wishes of the majority of his constituents. Nothing is easier than to badger inconvenient deputies in this manner. If I am

rightly informed, the recall of deputies in Soviet Russia is only used for the purpose of suppressing any serious opposition in the Soviets.

In the civilized West this provision, which lends itself so readily to abuse, has become quite superfluous through the organization of the masses in great parties, which for the past half century has been proceeding under the auspices of Social Democracy. Since then the responsibility of the deputy towards his constituents has tended to be overshadowed by his responsibility towards his party. It becomes ever rarer for candidates to come forward on their own account. The candidate comes before the electors as the representative of a party. In this capacity and not because of his personal popularity he is elected. This is most strikingly manifested in the system of proportional representation, where the electors are confronted, not with individuals, but with whole parties with a long list of candidates. As a rule neither the parties nor their candidates are new-comers, but are tried and known by long years of public service.

The individual member may no longer do what he likes in Parliament. He is subject to the discipline of his party group, and is constantly controlled by his party—unless the party itself should go out of existence. But even then the elements that have been released gravitate towards new groups, which are controlled by new party organizations outside Parliament.

The demand for the recall of individual deputies by their electors, which was put forward by the Paris Communards of 1871, as well as by many other radical democrats of that time, and endorsed by Marx, is characteristic of a period when the organization of socialist parties and the political organization of the masses had only just begun. During the whole time of its existence the First International was never once a union of socialist parties.

The demand for the recall of deputies was quite in consonance with this primitive degree of popular participation in politics. To raise the same demand after half

a century of intensive party labours and the most rapid increase of party membership only reveals an utter lack of comprehension of more highly developed conditions.

What might have seemed both reasonable and revolutionary fifty years ago is now not merely unreasonable, but also reactionary. To-day a deputy who prefers dependence upon an incoherent mass of electors to dependence upon a party inspired by a common idea behaves in a reactionary fashion.

The more party life has developed, the more the demand for the recall of deputies by their electors has fallen into the background. To-day it no longer plays a part in any country with political institutions of long standing.

(*e*) Executive and Legislative Power.

More thoroughly than the first two of its features, we must discuss the third characteristic of Lenin's (that is the Lenin of 1917) proletarian democracy, viz.: the union of legislative and executive power in the same body, as in the Paris Commune during the rising of 1871.

Unfortunately Marx describes this requirement without elucidating it. He merely says that in this way the Commune would be transformed from a parliamentary into a working body. In his introduction to the new edition of the *Civil War*, in 1891, Engels does indeed deal with the first two of the three requirements we are discussing, but he ignores the third, which most needed his elucidation.

It is more than likely that, as regards the demand for the union of executive and legislative power, both Marx and the Communards had in mind the example of the French Convention from 1792 onwards.

This combination arose out of the conditions which characterized the French Revolution at the time of the Convention, the third national assembly since 1789.

At that time France was at war with almost the whole of Europe: Austria, Prussia, Italy, Spain, the Netherlands, England. Only Russia was left out, being busy devouring the rest of Poland. The old French Army was dissolved,

and the new Army was in course of formation. The generals were unreliable, and some of them rank traitors. The position of the ministers was shaky in the extreme. The old bureaucratic machinery had been shattered, while new machinery had not yet been constructed. The individual departments did what they liked.

In this situation there were only three factors which held the tottering State together: there was Paris, which was dominated by an extremely energetic working class and formed a gigantic compact force; then there were the highly organized Jacobin Clubs, whose centre was in Paris, and whose ramifications extended in all parts of the State. Thirdly, there was the Convention, the popular representative body of the whole of France, towards which all revolutionary Frenchmen looked in their need, but which was only imbued with strength and determination by the Parisian workers and the Jacobin Clubs.

When the executive power, composed of the ministers, the generals, and the provincial officials, broke down, the Jacobins and the Parisians impelled the Convention to take upon itself the executive, and even the highest legal functions. Deputies from the Convention were posted by the side of the generals, in order to supervise them; and by the side of the ministers, in order to spur them on. Deputies were sent to the provinces, in order to accelerate the execution of the decree for general military service.

In this way the Convention actually accomplished great things, and in conjunction with Paris and the Jacobin Clubs, saved the Revolution. But it must not be forgotten that this union of the executive and the legislative power was effected under entirely abnormal conditions, conditions which no one would like to be repeated: resistance to the invasion of superior forces conducted at a time when the country's own executive officials had abdicated their functions.

Every war has the tendency to promote the concentration of the power of the State into few hands. As a rule it is the executive and the judicial powers which assimilate

or subordinate the other powers. The war of the Great Revolution found the executive power of the Republic in complete dissolution. The Convention, or the legislative power, remained the only State power which was full of energy. And this was for the most part the transmitted energy of the Parisian working class.

Foreign war or civil war is the worst condition under which a new mode of production can be organized. War or civil war, under certain social conditions, may be very propitious, even indispensable, for the conquest of political power. It may also assist to remove the obstacles to reconstruction. But it is not adapted to promote systematic social reorganization. Generally it renders this task quite impossible, as it subordinates the whole of life to its own ends, which are merely those of destruction.

For the period of transition from capitalism to socialism we most urgently require peace both at home and abroad. Not in the sense of a reconciliation of classes, but in the sense that they will fight out their differences with the agencies of democracy, and not of force. Under these conditions, however, there would not be the slightest reason for combining the executive with the legislative power, and there would be many cogent reasons against it.

Division of labour is the great law of progress. The greater the division of labour that has been effected amongst its organs, the higher an organism stands in the scale of development. It is not every system of division of labour that spells progress, but only that which preserves the harmony of the parts and makes their co-operation subservient to the whole. A division of labour in which a part is perfected at the expense of the whole cannot be regarded as progressive. But where a division of labour is successfully functioning, it would be a retrograde step to abolish it by transferring the functions of various organs to a single organ.

The division of labour that has been effected in the course of a thousand years of social development among the executive, the legislative, and the juridical organs in the State is not an arbitrary growth. It has been increas-

ingly improved because each of these functions require different conditions for their most efficient performance.

The executive power has to act. It has to make rapid decisions for special occasions, and execute them immediately. For this purpose a large body is unsuitable. The most rapid and drastic decisions can be best taken by one person. Consequently war, which renders such decisions most urgently necessary, favours the widest possible supremacy of one person.

The executive power, therefore, constantly results in the supremacy of one or few persons, of a monarch, president, ministry, etc. Even the Convention could not escape from this necessity. In March 1793 it appointed the Committee of Public Safety, comprising nine, and later twelve, members. The latter was above the ministers; it appointed officials and generals, as well as commissaries, with unlimited authority; in short, it, and not the Convention, was the real sovereign power. But even this committee was too large to secure rapid and decisive results. It divided itself into three groups, each consisting of three men, of which one carried on the war administration, the second conducted the political police work, while the third maintained contact with the provinces.

Of these groups two were specially important, that relating to the war and that relating to the political police, and in each of the two one man was in control, Carnot in the first case and Robespierre in the second. Eventually, the latter gained the greatest power of all. In fact, the Convention was not free from the fear of Robespierre's dictatorship until his fall on the Ninth Thermidor (July 27th).

The actual separation of the executive from the legislative power and its concentration within a few hands were effected at that time by the force of circumstances.

If the nature of things determines that the executive power may only be entrusted to a small committee, the converse is the case with the legislative assembly. This forms the substitute for the assembly of the people, which was the depository of supreme power among primitive

communities. It chose executive and juridical officials for definite purposes, and reserved to itself the supervision of these officials as well as of legislation. When the primitive communities were united into large States through the rise of the State power, their population was too numerous and scattered over too wide an area to permit the whole of the members to meet and discuss at a single gathering. This was one of the reasons why, since the rise of the State, the executive powers have been able to achieve increasing independence of the popular will, progressively to assimilate both the legislative and juridical powers, and to replace the primitive democracy by an aristocratic constitution or an absolute monarchy. The new democracy, which commenced to assert itself with the rise and consolidation of the towns, could not revert to the people's assembly as the supreme power in the State. It had to fashion a type of popular assembly in which all the districts of the State and all the interests which were strong enough to be important could secure adequate representation.

This body is therefore provided with the largest possible membership. Of course, certain limits must be assigned to a body which is to be a debating, and not a demonstrative, assembly. The expansion of a legislative assembly generally approaches these limits. The membership of the parliaments of our time averages 400 to 500. It is true that the membership of the French Estates General of 1789 amounted to 1,200, but it was anticipated that the 600 members of the Third Estate, the 300 of the First, and likewise many of the Second Estates would deliberate separately. The later Parliaments of the Revolution comprised 745 members, all of whom were almost never present at once. Yet 721 deputies took part in the vote upon the condemnation of Louis XVI.

A corporation of several hundred members is in the nature of the case too cumbrous an apparatus for the functions of an executive power.

For the functioning of the latter unanimity and deter-

mination are required. We have already referred to the fact that we have entered upon an era of coalition Governments. We do not regard this fact with satisfaction, but as an evil, which is only tolerable because the alternative, an anti-Labour government, would be a greater evil. But a Government that is to do great things must be homogeneous. We may not, therefore, expect any substantial progress until we have passed out of the phase of coalition Governments and entered that of purely socialist governments. To shorten the first phase as far as possible is our most urgent task. But how would it be possible to have a purely socialist executive, if the functions of the executive were combined with those of the legislature in one assembly, which contained a strong anti-socialist opposition ?

History also shows us that an assembly which possesses executive as well as legislative powers cannot tolerate opposition. Scarcely had the Convention assumed the functions of the executive than it expelled and imprisoned thirty-four of its members on account of their political opinions (Girondistes), and shortly afterwards seventy-three more were expelled. Those who could not escape were guillotined. Later Danton and his friends among the members of the Convention were sent to the scaffold, where they were eventually followed by Robespierre and his supporters.

An opposition within an executive body is an extremely obstructive and sometimes a noxious thing. On the other hand, it is absolutely necessary for an assembly which is to enact laws, laws which should be able to stand all criticism. A governing party easily overlooks the defects in a Bill which it puts forth, being interested in the rights which the Bill confers rather than in the duties which it imposes on the population. Without an opposition which is not interested in, or is even hostile to, the governing party of the moment, a rigorous scrutiny of all the implications of a law would hardly be possible. The governing party itself needs the services of the opposition if it wants to remove all defects from the laws enacted by the Assembly.

In order to provide for the most careful examination of Bills, the procedure of Parliaments provides that they should pass through three readings and committee stages. An executive power, on the other hand, must always be in a position to be able to take decisions without discussion.

The frequently tedious procedure and the many speeches which are delivered in the Parliaments sometimes cause the latter to be held up to ridicule as mere " talking shops " which never do any good. Unfortunately, this reproach does not apply to Parliaments alone. The tendency to waste time through empty chatter is shared by them with every deliberative body. Will anyone assert that no superfluous speeches are delivered at popular meetings, conferences, or other gatherings ? How many of those who pour scorn on Parliament as a talking shop are not inveterate gossips themselves ?

In the summer of 1917, when Lenin had not yet been able to mould the Soviets according to his desires, he wrote about them as follows :

" Such heroes of putrid philistinism as the Skobeleffs and the Tseretellis, the Tchernoffs and the Avksentieffs, have managed to pollute even the Soviets, after the model of the most despicable middle class parliamentarism, by turning them into hollow talking shops " (*The State and Revolution*, p. 49).

Parliaments are distinguished from most other deliberative assemblies by the fact that they provide a platform for all the great classes and parties in society, especially when universal suffrage prevails. This renders parliamentary proceedings important, but it also makes them protracted.

There is no doubt that Parliaments often thresh straw, and do not thereby advance the cause of progress, but the institution is wrongly blamed for a fault which is due to the distribution of class power in society. The character of Parliament reflects the character of the classes and parties which dominate it. If the latter are reactionary or timid, Parliament will be the same. Those revolutionaries who require Parliament to make the revo-

lution for them, irrespective of whether the workers outside Parliament have become strong enough to assert their position in the State, will always be disappointed by parliamentarism.

If Parliament has hitherto given little satisfaction to the workers, this is not due to the institution as such, but to the weakness of the workers in society. The middle class has become conservative, and this explains why Parliament is moribund. This fact would not be altered in the least if Parliament were differently organized, by combining the legislative with the executive power.

The form of an institution is certainly not a matter of indifference. It must be adapted as far as possible to its purposes. But it is preposterous to imagine that a change in structure will bring about an alteration in function.

If we alter the relative strength of parties, and create a compact and determined socialist majority among the people, Parliament will become a " working " body, and the parliamentary mill will supply rich grain, even if it merely exercises legislative functions.

Besides which, it has yet another function. It has not merely to elaborate laws, but also to ensure that they are observed. Thus it has to control the executive power and the employment of the resources of the State.

Where the executive and legislative powers are united in one hand, such control is absent, and the danger arises that the executive power will become all-powerful relative to the population. We have seen that the Convention, from the time when it combined the legislative and the executive powers, was constantly haunted by the fear that the result would be the dictatorship of a single person. In fact, it paved the way for Napoleon, " Robespierre on horseback."

This absolutely contradicts the object which Marx defined in his *Civil War*, where he demanded that the State should cease to be " independent of, and superior to, the nation," and that the " legitimate functions of the old Government " should be wrested " from an authority

which claims to be above society, and handed over to the responsible servants of society."

In place of the State, Marx foresaw "a national delegation in Paris," confronting "a central government with few but very important functions." This, however, implied the same separation of legislative and executive powers which Marx desired to see abolished so far as the Commune was concerned.

Consequently, it may well be doubted whether Marx desired the same institution for the State as for the Commune. But even if Marx wished to see all the powers of the State combined in a single body, this would signify nothing more than the persistence of memories of the great Middle Class Revolution, whose forms it was the custom to regard as those of revolutions in general, inasmuch as the peculiar conditions for the Labour Revolution had not yet developed with sufficient clearness. This did not take place until the last generation.

If Bolshevism to-day persists in clinging to the forms of the Middle Class Revolution, this is an indication of the backwardness of Russian conditions. A peculiar irony of history lurks in the fact that Lenin seeks the special attributes of proletarian democracy in institutions which either characterize the Middle Class Revolution or arise from a condition of undeveloped middle class democracy.

(*f*) Dictatorship.

Of all the institutions of the Paris Commune upon which Marx laid stress, there is only one to which the Bolshevists now cling: the concentration of legislative and executive powers in one body, although not in a popular assembly, elected by universal suffrage, as was the case with the Paris Commune.

They cling to this unity of powers because it facilitates dictatorship. According to Bolshevism, dictatorship is that State constitution which the workers must establish after the conquest of political power for the period of the transition to Socialism.

What is the essence of dictatorship, not in the transitional sense in which Marx and Engels used the word, but in the narrower sense of Bolshevism ?

Dictatorship is a State institution which constitutionally excludes all opposition to the State power, and which raises the possessor of State power, be it a person, a corporation, or a class, above the laws of the State, which, of course, apply to the rest of the population.

Fundamentally this institution is nothing else than a state of siege for all those who do not share in the dictatorship. Certainly a more convenient form of government is hardly conceivable, and Lenin was not the first to discover this fact.

Although dictatorship is extremely convenient and certainly not specifically proletarian, having been mostly employed against the proletariat, even the most brutal coercive regime of the bourgeoisie or of the feudal nobility resorts to dictatorship with great reluctance, and only in times of great political difficulty.

The reasons for this fact need not concern us here. We propose to examine the effects produced by a proletarian regime of dictatorship.

First of all: who is to be dictator ? Into whose hands shall be placed this enormous power ? Naturally, in those of the proletariat, which must be able to break down any opposition to the transformation of society on these lines.

But even in Russia, where the peasant has only just escaped from the Czarist knout, it proved impossible to give a proletarian minority supreme power over the peasants. The Soviets, the councils, in which the dictatorship would be invested, had to be established as peasants' as well as workers' councils.

This might not seem out of place in Russia, because there the peasants were still revolutionary—another sign of the bourgeois character of the Russian Revolution. It would be senseless in Western Europe, where the peasants form the strongest conservative force. To take every political liberty from the intellectuals of the towns and give political

omnipotence to the peasants would be the height of absurdity.

The dictatorship of the proletariat as a means for the introduction of Socialism must therefore be rejected.

We go further. Suppose the proletariat has dictatorship. What does it mean? That every worker is all-powerful relative to the possessing and cultured classes of the towns, and may plunder and mishandle them as he thinks fit. In short, the dictatorship of a class, conceived as a State institution, signifies investing this class with arbitrary power.

And this was what actually happened in Russia after the *coup d'état* of Bolshevism (November 1917), which is glorified as the Revolution. Complete anarchy soon reigned within the two classes whose dictatorship was proclaimed at that time.

This Bakunist ideal might be somewhat tolerable in a primitive peasant village, where household industry on a small scale was the rule, but it would be fatal to large-scale industry.

The break-up of large-scale undertakings in agriculture and chaos in industry were the first severe wounds which the Revolution inflicted upon Russia's economic life, after it had already been fearfully weakened by the war.

To be sure, the Bolshevists were obliged eventually to recognize that matters could not continue in this way. An unorganized class cannot exercise any dictatorship.

The dictatorship of the proletariat soon became untenable. It had led to the most rapid economic collapse of Russia. But the anarchy of this kind of dictatorship formed the soil out of which grew another kind of dictatorship, that of the Communist Party, which is in reality nothing less than the dictatorship of its leaders. The Communist Party was able to survive as the only firm organization in the general chaos, thanks to its unparalleled opportunism, which allowed it to maintain its power by throwing overboard the most important principles for the realization of which it had captured power.

From the loose state of anarchy in town and country

Russia passed immediately into the tightest grip of a privileged bureaucracy, police, and standing army, invested with absolute power, whose operations culminated in the bloodiest terrorism.

According to Marx's conception, which we fully accept, and which Lenin also championed in 1917, the proletariat cannot liberate itself without abolishing the machinery of domination of the bureaucracy, the political police, and of the standing army. If dictatorship cannot be maintained without this machinery, it proves what an unsuitable instrument it is for the political rule and the economic emancipation of the proletariat.

This is all the more obvious when it is realized that dictatorship by its constitution cannot tolerate the slightest opposition. Every attempt at opposition must therefore of necessity aim at overthrowing the constitution and assume the form of civil war.

The faith of Bolshevism reduces itself to the simple belief that it is possible to organize a socialist society in the midst of civil war. To-day the Bolshevists blame this war for the fact that instead of arriving at Socialism, Russia has been overtaken by ruin. They forget that the civil war issued from their dictatorship.

If dictatorship is victorious in the civil war, the inevitable consequence is the paralysis of political and intellectual life in general. Hopeless torpidity seizes the masses, from whose energetic and intelligent activities alone can come Socialism and the democratization of autocratic capitalism.

For this reason dictatorship is an obstacle to socialist progress, quite apart from the fact that a working class which is unable to throw off a dictatorship based on militarism and bureaucracy, thereby proclaims its inadequacy to the task of socialist reconstruction.

All this has already been urged against the Bolshevist methods of achieving Socialism through party dictatorship. To these factors, which make dictatorship an obstacle to socialist progress, must be added a yet more important fact, which in my judgment has not been sufficiently considered.

The process of production requires security, if it is to be continuously renewed and to promote social prosperity. It requires security against unexpected forcible interferences from without, whether from individuals or from the authorities. Nobody will take the trouble to produce if he fears that the product of his labour will be taken from him.

Of course, no worker obtains the whole product of his labour under a mode of production which is based on exploitation. He has to share it with others. But this sharing proceeds according to definite rules which are known to the worker before he commences work. Under the existing social relationships, it is one of the conditions of the process of production, in the absence of which the worker could not produce at all, and therefore could not live. Consequently, production is not impeded by this process of sharing, if sufficient remains to the worker to secure the conservation of his labour power and the maintenance of his offspring.

The case is quite different if the peasant, the handicraftsman, or any other worker is robbed of what remains to him of the product of his labour after the completed process of production, in an irregular and unexpected manner, by a power which is not directly interested in the continuance of his labour. The effect is a strong discouragement to continue producing. Production often becomes quite impossible, if the worker is bereft of tools of production and means of living to maintain his labour power.

Nevertheless, the workers will try to continue working, if it is possible at all, for they have no possibility of existence except through their labour. And under primitive conditions the means of production are simple and can always be created in case of need. Moreover, the income of the individual worker or of the peasant is too scanty to attract much plundering.

Political insecurity affects production far more seriously where it is conducted on capitalist lines. Here production

does not depend upon the worker, but also and in the first place upon the capitalist. If the worker is compelled to produce in order to live, the capitalist is by no means obliged so to do. He puts his money in the process of production for the construction of factory buildings, the purchase of machines and raw materials, the payment of wages, only when he anticipates a considerable profit therefrom, not perhaps in the immediate future, but at least as long as the means of production last in which he has invested his capital. If this security is absent, he prefers not to risk his property. Then he invests it in gold, precious stones, or other extremely valuable articles, which are indestructible, occupy little space, and could be easily hidden; or he embarks it upon businesses where the capital is rapidly turned over, in usury and trade, where the promise of a quick and large profit compensates his risk.

The general insecurity of conditions was one of the reasons why in the East hitherto, and in Europe until the time of the Reformation, a system of industrial capitalism could not develop. This insecurity is one of the reasons why industry has been so long restarting in the vanquished States after the world war, while profiteering has flourished.

This insecurity is carried to its extreme limit, and made permanent by dictatorship. The latter may succeed in checking highway robbery, or preventing pogroms, but its very existence diffuses an atmosphere of insecurity, in the form of the utter arbitrariness and lawlessness of the State power, whose caprices are quite incalculable.

The dictatorship of the Sultan and his Pashas has hitherto imposed an insurmountable obstacle upon the development of any large-scale industry in Turkey, and has even ruined the primitive economy of the Turkish peasant. The economic effects are not different in the case of Russia because the Russian Sultan appeals, not to Mahomet, but to Marx, as the prophet of redemption. Besides, the Russian Pashas in their Asiatic propaganda have contrived to make Mahomet and Marx their twin guiding stars.

The absolutism of the Czars had considerably checked the prosperity of Russia, although latterly it was no longer a purely arbitrary regime, the bureaucracy being subject to definite laws, and an orderly judiciary (apart from many political offences) being in existence. In more recent times there was even a legislative assembly, which controlled the budget.

In arbitrariness, in force, and in the irresponsibility of the State power, the Bolshevist dictatorship goes far beyond Czarism, and therefore exerts a more paralysing effect upon industry than did the latter.

Some forms of government are incompatible with a prosperous capitalist development. One of them is Oriental despotism, and another is its most modern prototype, which masquerades in the garb of the dictatorship of the proletariat.

So long as the dictatorship does not collapse, Russia will continue to go downhill, despite all concessions to the capitalists. But the governmental form of dictatorship is not only incompatible with industrial capitalism, but also with democratic Socialism. For the latter can only arise from a fully developed and flourishing, not a crippled, capitalism, and in the period of transition capitalism will continue to exist in many departments of industry, as we shall see.

From whatever angle we may regard dictatorship, it proves to be an unsuitable means to guide the development of Capitalism into Socialism.

Our examination of the political Labour Revolution may be summarized in the following sentences :

The growth of the Labour movement is accompanied by the growth of democracy. Thus the way of democracy is the normal way for the conquest of political power by the workers.

The democratic Republic is the State form for the rule of the workers.

The democratic Republic is the State form for the realization of Socialism.

III. THE ECONOMIC REVOLUTION

I

CONSUMERS AND PRODUCERS

(*a*) Under Capitalism.

In the investigation of the governmental form, which best corresponds with the rule of the workers and with Socialism, a question remains to be considered. This leads us directly to the economic tasks of the Labour Revolution, that is, the epoch of the political power of the workers.

This question is whether the State power of Labour is to be organized as the power of consumers or of producers, whether the body which represents the su reme power in the State is to be an assembly of consumers or of producers.

The first system is the representation of districts where voting proceeds on the basis of universal and equal franchise and no vocational distinction is recognized. Modern tendencies oppose alternatives to this system, such as the class representation of Bolshevism, which grants a special franchise to wage workers and to peasants, and creates special peasants' and workers' councils as representative bodies, whereby the other classes are deprived of representation. Then we have the democratic proposal of Guild Socialism, which desires not class, but vocational representation. The citizens are to elect their deputies to the supreme popular assembly upon the basis of industry or occupation. This assembly will to some extent be a permanent trade union congress. It is not

yet settled whether this national economic council will constitute the sole parliamentary chamber in the State, or whether there will be two such chambers, one elected as hitherto by universal suffrage and a vocational assembly, and what the relationship between the two will be. The most eminent representative of Guild Socialism, G. D. H. Cole, declares :

" The ultimate sovereignty in matters industrial would seem properly to belong to some joint body representative equally of Parliament and of the Guild Congress " (*Self-Government in Industry*, p. 87).

Unfortunately, Cole is obliged to add :

" The new social philosophy which this changed conception of sovereignty implies has not yet been worked out ; but if Guild Socialists would avoid tripping over their own and other writers' terminology they would do well to lose no time in discovering and formulating a theory consistent with the Guild idea and with the social structure they set out to create " (p. 88).

This task of immediately formulating a new theory, which will prescribe the line of march, is characteristic of Cole's conception of science. Perhaps we could render some assistance to the Guild Socialists in this respect, although we shall hardly earn their thanks.

The chief question is this : is the supreme power in the State to be invested in the consumers or in the producers ?

The Guild Socialists discuss the terms of consumers and producers as if they were self-explanatory, just as the Bolshevists deal with the term worker. Neither the ones nor the others consider it necessary to define these ideas more particularly. And yet they are not of so simple a nature as appears from the first glance.

Some years ago I wrote an article on " Producers and Consumers " for the *Neue Zeit*, in connection with Schippel's tariff agitation in the " interests of the producers."

My article commenced as follows :

" Modern fiscal literature constantly turns upon the separation of society into consumers and producers, as if

society were really divided into these two classes. Free trade is advocated in the interest of the consumers, and tariffs in that of the producers. Involuntarily the idea obtrudes itself that the producers' interest is the higher. The consumers are the people who eat and drink, while the producers are those who toil in the sweat of their brows.

"The superiority of the producers' interest may also be scientifically expressed by saying: we can only consume what has been produced. The prosperity of society depends upon the vigour of production. The interest of the producers is therefore the interest of society."

From another standpoint, it would seem that there can be no opposition between producers and consumers at all, for if not every consumer produces, at least every producer consumes. For the working portion of mankind, consuming and producing are only different functions of the same individual. How then can one talk of an antagonism between consumers and producers?

And yet such an antagonism does exist, although not in every mode of production or within every mode of production to the same extent.

This antagonism does not exist in the most primitive conditions of production, where every household produces for itself and creates all that each of its members needs. Here as everywhere else the circle of consumers is wider than that of producers. Although every producer is necessarily a consumer, not all those who consume are engaged in the process of production. The infirm, the children, the sick, the aged, do not participate therein. But they all belong to producers' families, with which their interests are identical. Under these conditions, therefore, there are no consumers' interests in society apart from the interests of producers.

This is no longer the case with simple commodity production, where every worker has possession of his means of production, and as peasant or handicraftsman disposes of his product. Here we leave out of account any complicated conditions of exploitation.

The difference as compared with primitive production for use arises from the division of labour among various businesses. Under commodity production, the producer creates products which he does not use, in order to exchange them for the products of other businesses which he needs. The products are exchanged according to their value. The greater the value, or, expressed in money, the prices of his own products, the more of other products he is able to exchange for them. Therefore the producer has an interest in the high prices of his own products. If he can force up their prices by withholding ample supplies of his products from the market, he will do so.

But once he has sold his commodities, he enters the market no longer as a possessor of commodities, but as a possessor of money ; no longer as a seller, but as a buyer ; no longer as a producer, but as a consumer. And as such, he has an interest in low commodity prices. Thus an antagonism between consumers and producers arises here. But if, as stated, we leave out of account complicated conditions of exploitation, which are not bound to emerge at this stage, the whole of society consists of producers and the members of their families, just as in primitive times. The antagonism between producers and consumers, therefore, is one within the world of producers ; in any given case it is an antagonism between the producers of one calling and the producers of the other callings. It is no permanent antagonism of classes, but an antagonism whose factors are continually changing.

Yet circumstances arise under simple commodity production which unite related branches of production in a common and permanent struggle against another branch. Thus the antagonism of interests between consumers and producers may develop into a great social antagonism, exercising the deepest historical effects.

On the one hand we find urban industry, whose producers confront the producers of agriculture as consumers—as consumers of foodstuffs and raw materials, which they desire to obtain as cheaply as possible. On the other

hand, the farmers are consumers of industrial products, which the industrialists desire to sell as dearly as possible.

The old antagonism between town and country, which is always being revived, appears in the light of an antagonism between consumers and producers, although we find producers and consumers on each side.

The appearance of wage labour in the service of industrial capitalists invests production with a new character. Until then the worker and the producer have been the same person. The producer's interest has been identical with the worker's interest. Under the rule of capitalism, the worker remains indeed the producer of the product in a technical sense, but he ceases to be so in an economic sense. He is no longer the owner of the business and of his means of production. It is not he who directs production, or determines the number and kind of the products. The latter do not belong to him. It is not he who markets them or has an interest in their price, but the capitalist employer. The latter is the producer in the economic sense. The producer's interest is now that of the capitalist who owns the means of production and the product.

From this interest the interest of the wage-worker differs. He also derives his income from the sale of a commodity in the market, but this commodity consists in his own labour power. Unlike other commodities, it is synonymous with human personality. Again, it is not produced for the market, but grows out of the life process of the worker himself. At the most, it is to some extent adapted to the needs of the labour market by the acquirement of special brands of skill. But the production of the quantity of existing labour power is not, as in the case of commodities proper, determined by the demand for it. It is not produced for the sake of profit.

The production of a commodity can be entirely suspended when no demand for it exists. With the aid of modern technical appliances, its production can be enormously accelerated when the demand grows rapidly. The production of unprofitable commodities ceases, and that of

profitable commodities is extended. Upon this point the article from which I have quoted states :

" The production of the commodity labour-power may be conceived in a two-fold sense : in the first place, as the daily reproduction of the individual, as the repair of the labour-power he has expended in the course of the day, and secondly, as the reproduction of the generation, as the replacement of the dying individual by a new one.

" Neither the one nor the other kind of reproduction is carried on for profit ; neither eating and sleeping nor the procreation and education of children belong to the category of profitable businesses. They are part of the life process of the worker, are carried out under all circumstances, without any regard to the demand. The supply of labour-power cannot be increased or diminished at will."

In yet another respect the commodity labour-power differs from other commodities. The costs of production of the latter may always be estimated with technical exactitude. This is not the case with labour-power. The maintenance costs of labour-power are not only physiologically determined, but also comprise elements which are of a purely social nature. We quote Marx :

" The number and extent of his (the worker's) so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilization of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labour-power a historical and moral element " (*Capital*, vol. i., p. 150).

The result of all these factors is that the value and the price of labour-power are more conservative than is the case with other commodities. As a rule wages do not fall so quickly and to such a low point as the prices of other commodities, nor do they rise so rapidly and to such

a high point. The worker has therefore an interest in the fall of commodity prices, unless this is accompanied by injurious social reactions, such as widespread unemployment. He has no interest in a rise in prices, unless this should be accompanied by compensating circumstances.

Thus the wage-earner suffers most from an artificial dearness of commodities through tariffs, or, as in our days, through inflation. In this respect his interest, strange though it sounds, is not the producer's but the consumer's interest. He has the greatest interest in free trade as well as in the stabilization of the currency.

Now, the individual industrial capitalist is interested as a producer merely in his own branch of production. He desires his own products to fetch a high price, not those of other branches of production. Towards these he feels the interest of a consumer, not of a producer. But he has no prospect of influencing politics to secure the passage of measures for his own branch of industry, which would artifically raise the prices of his commodities, while leaving other commodities untouched. To attain this end he must combine with the capitalists of other branches of production. In this respect he resembles, as a producer, the producers under simple commodity production. And accordingly we find in capitalist economy the same antagonism between town and country, industry and agriculture, as in former times. It expresses itself with special vigour in questions of fiscal policy. Where industrialists are free traders, the agrarians are protectionists, and *vice versa*.

Nevertheless, there is an essential distinction between capitalist and simple commodity production. In the latter case, there is no motive to cause all the branches of production to combine to promote a common policy of raising prices, as each person would lose as a buyer as much as he would gain as a seller.

The case is different under the capitalist mode of production, where the worker and the producer are different persons. To-day all employers stand to gain, even when every branch of production, in town and country, raises

prices, whether by tariffs or syndicates or by other methods. For now every producer is able to shift his burden on to the wage-earner.

Thus the wage-earner is now the definite representative of the consumer's interest in antagonism to the united exploiters who exclusively represent the producer's interest.

These circumstances are, of course, lost sight of by the champions of the Guild or of the Soviet system. For them the worker is always synonymous with the producer.

(*b*) Under Socialism.

These considerations only apply to specific economic conditions, as we have seen, such as primitive production for use, or simple commodity production. When Socialism is in full operation the idea of producer will be synonymous with the idea of worker. But this will by no means apply to the period of transition.

When, however, Socialism is in full operation, the worker will not only be identical with the producer, but labour will be the only source of income in society, which will consist only of workers and their families, precisely as in the primitive economy, which was our starting-point.

Consequently, it must be assumed that in a socialist society there will be no producer's interest separate from a consumer's interest.

Now the chief distinction between primitive Communism and modern Socialism consists in the division of labour. Primitive economy only discloses a division of labour between man and woman in the family. To-day we have an intricate and extensive division of labour in every industry and in society, upon which is based the productivity of labour and the possibility of a socialist system admitting everybody to a share in the benefits of our civilization.

Whereas Socialism, as we shall see, tends to establish equality among all the members of society as consumers, removing class distinctions, while preserving individual idiosyncrasies, it resembles the capitalism which preceded

it, inasmuch as it divides the workers in the process of production into various sections, to each of which special conditions correspond, so that every section of labour develops a special interest in shaping for itself the most favourable working conditions. Moreover, the pull exercised by the different sections within society will vary. Some will be engaged in vital services, and others not. Some would endanger the entire process of society if they suspended work only for a short time. In the case of others, society would be able to hold out for a much longer time. Some workers do not require any special preparation and training, and are easily replaceable at any time, whereas it is impossible to replace other kinds of workers without difficulty.

Under these circumstances the producer's interest in a socialist society would be nothing else than the separate interests of the different vocations. This was also the case under simple commodity production, where we already find the guild policy, the separate policies of the different guilds, their mutual jealousies, their individual strivings for special advantages and a position superior to all the others.

Yet the guilds were always held together by common struggles against common opponents, against the urban patriciate, against the landed nobility, or against princely encroachments upon municipal liberties.

As in the guilds, the tendency to pursue a separate policy also dwells in the craft organizations of the workers, the trade unions. Many trade unions prefer to go their own way, without regard to the workers as a whole, or it happens that the favoured sections among the workers become an aristocracy of labour, which elevates itself above the mass of the other workers.

These tendencies have, for example, injured the working class of England for a long time. It is true that they cannot persist in the long run under the capitalist system. The struggle against Capital, the common enemy, eventually compels the various sections of the workers to close their ranks.

This incentive to unite the workers of diverse callings would be absent in a Socialist society. In such a society the workers in a particular calling would be confronted with one factor alone: the workers in all the other vocations, who would appear as consumers, not as producers. The antagonism between consumer's and producer's interest becomes at this point an antagonism between the common social interest and the separate vocational interest.

In this consists one of the dangers that threaten a socialist society. We do not for a moment doubt that means exist to avert this danger, above all, in a system of education which would enable every member of society to engage in various occupations. But for the period of transition, the preponderance of vocational interests may produce very unpleasant consequences. We should be ill-advised to augment this danger by making a producers' assembly, and not a consumers' assembly, the supreme power in the State, that is, basing the election of this assembly, not upon universal and equal suffrage, but according to vocational franchise, as advocated by the Soviet system or by Guild Socialism.

We shall probably be told that ordinary Parliaments are representatives of special interests, not only of a vocational, but also of a geographical kind. Every deputy represents the special interests of his constituency.

This is by no means true. It was valid for medieval assemblies, but does not apply to modern times. In the medieval Diets, each citizen deputy represented the interests of the town which had sent him. But in modern Parliaments each member counts as a representative of the entire nation, not of a particular locality. This does not remain an empty phrase, but corresponds to realities, in the degree that capitalist communications link up the separate districts of the State, and thus create the foundations for a modern national democracy, in contrast to primitive and local democracy. In the first National Assembly of the Great French Revolution, the deputies no longer appeared as representatives of their constituencies.

The antagonisms which are fought out in modern Parliaments are those between various classes and different political methods. Each of these parties is coterminous with the whole nation, none represents a merely local interest. Purely local parties, such as the Bavarian Peasant League, are reactionary curiosities, which correspond to obsolete modes of thought and have no future.

The questions around which revolve political contests and parliamentary struggles are mostly of a general, and not of a specific vocational nature. Each class and each party adopts a particular attitude towards these questions, but the questions themselves concern the whole of society.

Will this continue to be the case under Socialism? Will not the political tasks of to-day then vanish, so that the community will no longer have to solve political, but only economic problems? Why then shall we need an assembly of politicians? We shall need an assembly of experts, who are intimately acquainted with economic matters from their own experience. Consequently, the supreme popular assembly should be an assembly of producers, and not of consumers.

But unfortunately the expert of to-day is only a layman in all matters that lie outside his special province. In questions concerning a specific occupation, therefore, a producers' chamber, composed of representatives of all occupations, would be as much a lay assembly as a consumers' chamber. It is true that in every occupation there are people who strive to acquire a comprehensive education, and whose knowledge is not confined to their own occupation. But it is precisely these people who have more prospect of getting into a consumer's chamber, which is elected upon broad social lines, than into the producer's chamber, to which those are most readily sent who have done the most for the workers of their trade.

Moreover, I am of opinion that the popular assembly in a socialist society will by no means be dominated by economic questions. On account of the widely-extended division of labour, which renders special knowledge

necessary for the most efficient organization and conduct of each trade, it would be well to establish each trade on as independent a footing as possible, to accord it the utmost freedom of self-government, and to create proper machinery to ensure that the consumer's interest is not lost sight of. Once the whole organism is functioning properly, the central committee would only have occasion to intervene when extraordinary and far-reaching innovations were projected, or when great disturbances and conflicts arose.

Generally speaking, we may anticipate that the economic side of life will interest men less and less, as their existences become assured, their incomes adequate, and their working-day shortened. The material foundation will always influence our feelings and our thinking to a considerable extent, but this is not to say that it will always dominate our intellectual life. It dominates our thoughts to-day because nearly all our waking hours are spent in working, our existence is extremely precarious, and a man stands to gain a great deal through the continual observation of economic opportunities, the neglect of which is likely to cause him severe losses.

Once we pass out of this stage, men will not be so exclusively absorbed by economics as hitherto. They will have more time to be interested in the intellectual superstructure which will be reared on the material foundation, Consequently, the supreme popular assembly will have less to do with questions of economics than with questions of culture affecting everybody without distinction of calling.

This change will be accompanied by an alteration in wants. Intellectual wants will grow, and many material enjoyments will fall into contempt. This will effect a change in the aims of production.

Under all conditions, production is carried on with a view to consumption, to the satisfaction of wants. If it be objected that capitalist production does not serve the satisfaction of wants, but aims at securing a profit, I would

reply that the striving for profit arises from the capitalist's desire to consume. If he does not consume the whole of the profit, but puts a portion of it aside, " accumulates " it, in order to augment his capital, this is done for the purpose of eventually increasing his possibilities of consumption.

On the other hand, the capitalist produces commodities, which he does not himself consume but sells. But it would fare badly with him if no consumer could be found.

Thus every act of production has the object of consumption in view. This would not need emphasis if certain critics of capitalism had not imported confusion into this perfectly plain state of affairs. Consumption governs production.

From this standpoint, as from any other from which we may regard the relations of producers and consumers, it seems that no change is required in the election of the popular assembly by universal and equal suffrage.

We need not allow ourselves to be led astray by the aversion of Bakunism and Syndicalism to political parties and Parliaments : an old aversion, which finds a modern expression in the political constitution of the Soviet system and in Guild Socialism.

Yet we must not lose sight of the fact that the consumer's interest does not represent an active force in social development. The class struggle alone is the driving force of development in a class society. The consumer's interest only becomes effective when it coincides with a class interest.

It is from the struggle of the workers, and not from the activities of the whole body of consumers, that Socialism will arise, although its success is dependent upon its ability to satisfy the consumer's interest, or in other words, to raise the productivity of labour. Although the consumer's interest is of slight account as an active force, it possesses almost irresistible strength as a passive force. No social innovation can last long if it lowers the productivity of labour.

If the workers in a socialist State should organize their

labour in a manner convenient to themselves but detrimental to its productivity, such a one-sided policy on the part of the producers would speedily find its Nemesis. The new system would soon enter upon a path of economic retrogression, while the old capitalist States, existing by its side, would continue to develop their productive forces. The inevitable result would be that the workers, or at least a great part of them, in the socialist State would be worse off as consumers, in spite of the abolition of capitalist exploitation, than the workers in a capitalist society, in spite of the pressure of increasing exploitation. Sooner or later the socialist community would lose its vitality.

As a matter of fact, we Socialists have always contended that the vitality of a socialist society does not merely depend upon making the whole body of workers producers, that is, the masters of the process of production, but also upon the ability of the workers to raise the total productivity of labour and increase the sum of annual products in relation to the quantity of existing labour-power.

A number of factors are working in this direction.

There is, for example, the cessation of strikes. The strike is the *ultima ratio*, the last resource of the wage-earners when asserting their interests, just as war is the *ultima ratio* of kings. Both are barbarous methods, which frequently inflict terrible misery upon the combatants, and also upon the non-combatants, as well as doing economic injury. Nevertheless, the workers cannot and dare not renounce the right to strike, which would mean nothing less than exposing themselves defenceless to the capitalists.

This is no reason why Socialists should support every strike merely because it is a strike. Frivolous or badly organized strikes are a crime from the standpoint of the workers' interests, which are thereby compromised and injured. To criticize and oppose such strikes is part of the duty of Socialists, which consists in enlightening the workers, and speaking the truth regardless of consequences, not in the demagogic glorification of every stupidity which

the workers commit. The courtiers of the workers are as contemptible and dangerous as those of princes.

For the rest frivolous strikes are rare among the workers. Strikes of despair are of more frequent occurrence. Both kinds of strikes are being supplanted by the growth of trade union organization and experience. But the class antagonisms are too acute for strikes not to be inevitable, even in times less agitated than the present, and strikes resemble wars between nations in the fact that as they become less frequent, they increase in area and stubbornness, while their consequences become more devastating.

This is not a condemnation of the strike, but of a mode of production which renders strikes inevitable. Other things being equal, a mode of production which can be carried on without strikes will be far superior to the capitalist system. And this is what we may expect from a socialist community.

The great strength of every modern strike, which is not utterly senseless, consists in the fact that it finds support amongst the whole of the working class, which is imbued with a feeling of solidarity as against the capitalist. The organized working class frequently lends economic support to the strike, but usually its support is of a moral character.

In a socialist society the workers of a particular business or branch of industry would be confronted, not with capitalists, but with the whole body of consumers, who would become synonymous with the whole body of workers. A conflict between both sections, which might lead to a strike, would now be a struggle of a small section of workers, striving for special advantages, against the whole body of workers. Such a struggle would be hopeless from the start, and for this reason, strikes are not to be expected in a socialist society.

We must not be led astray by the fact that strikes often occur to-day in State and municipal undertakings. These undertakings are not yet sufficiently socialized—we shall see later what this means—and it is too obvious that the State and the municipalities are dominated by capital

for the workers to be able to draw sharp distinctions between public services and private enterprise.

A socialist society could not only avoid the devastation caused by strikes which is inevitable under capitalism, it could also organize production on more rational lines. Under free commodity production, side by side with technically perfect and ably-managed businesses, there continue to exist many smaller and badly-managed businesses, which are of very slight utility, but whose owners cling to them tenaciously, because their loss would mean economic ruin. On the other hand, if all the businesses in a branch of industry were socialized, it would be an easy matter to shut down the badly-organized undertakings, and to concentrate all the labour-power in the most perfectly-managed undertakings, which would result in a larger output than heretofore.

Considerable quantities of labour-power are now wasted in other ways than through their employment in backward businesses. Owing to the anarchy in the mode of production, the growth of large towns and changes in fashion, much labour is now expended which in a socialist society could be diverted to useful work. On the other hand, the periodical crises cause thousands of persons to be idle who would be productively employed under Socialism.

For all these reasons the labour of the whole body of workers would be more productive under Socialism than it is at present. Socialism is certain to represent an advance from the consumer's point of view.

All these measures require time to be elaborated and put into operation. In the stage of transition from capitalism to Socialism, we should have to face the danger that particular sections of workers may press their special interests in the process of production beyond the point where they would be compatible with the maintenance of productivity. It may be possible to diminish the intensity of labour within a short time, but any increase in the total productivity of the workers would be a slow process.

This need not lead to such an economic collapse as has occurred in Russia.

Conditions are not everywhere so unfavourable to Socialism as there, and industry is not everywhere so weak and the workers so poorly organized as in the Russia of 1917. The ruling party is not everywhere so helpless in face of economic problems as the Bolshevists, who prior to the Revolution had expended all their intellectual energy in the struggle against the police, in preparing for revolts, in splitting hairs over Marxian quotations, in coarse abuse of other socialist parties, and in ruthlessly trampling on every different opinion, so that no time remained for investigating the economic texture of Russia and the economic and political forms which would best correspond to it.

But even where the conditions are more favourable, the danger exists that the one-sided predominance of the producer's standpoint over the consumer's standpoint would lead to economic retrogression, which would temporarily impede the progress towards Socialism.

II

THE DIVISION OF THE PRODUCT OF LABOUR

As soon as the workers, organized as a socialist party, have captured political power, they will proceed to use it in their own interests. Already they will have employed in this direction the measure of political influence they have gradually acquired, and, according to the strength of classes and the wisdom of Labour tactics, they will have scored considerable successes over a period of some decades. But political predominance must be achieved before the workers can express their policy through the medium of new institutions.

What are the economic problems which will then face the workers ?

What first strikes the observer of capitalist society is the enormous difference between incomes, between the rich and the poor, which has never been so great as in recent decades, and which continually grows. The direst poverty continues to exist on a large scale, but the size of the large fortunes increases every year.

The abolition of inequality would seem to be the most important task of a socialist regime. Yet this task will not be a feature of that regime.

The distinction between rich and poor is older than recorded history.

We find it existing in a developed state at the dawn of history, although not so sharply defined as under modern capitalism.

The struggle to abolish inequality may therefore be

traced back to the very earliest times, not only on the part of the poor and wretched themselves, but also on the part of members of the possessing classes, who sympathize with the straits of the propertyless. This sympathy springs from the social nature of man, and is a part of his moral nature. And if every endeavour to remove social inequality is to be described as Socialism, then Socialism is as old as human civilization.

When, however, we pass from ethical generalities to economic facts, we find that the struggle for the abolition of inequality assumes various forms under different conditions of production.

The free, propertyless class plays no part in production when industry is chiefly conducted upon a small scale. This class is of a semi-vagabond type, and lives by robbing, wheedling, or begging from the rich a portion of the fruits of alien labour which the latter has accumulated.

When these elements manage to shape a social ideal at all, they demand that the rich should hand over all they have to the poor, who would live upon it without working, like the lilies of the field who neither toil nor spin. This was the social teaching of primitive Christianity. Had it been generally applied, production and social life of any kind would have been made impossible. It could only arise in conjunction with a mystical philosophy, which predicated a miracle in the shape of the speedy coming of the Kingdom of Heaven on earth.

Under the pressure of economic realities, this teaching could only survive at the cost of abandoning its substance, as is the case with Bolshevism to-day, and reducing to mere almsgiving the demand for the voluntary surrender of the possessions of the rich.

There is another way in which the propertyless class, under a system of small-scale industry, may strive for the removal of inequality: instead of converting all their property into means of consumption to be given to the poor, the rich should place the poor in a position to gain their livelihood by their own efforts, by placing the means

of production, especially in the shape of land, at their disposal.

From the economic standpoint this was a much more rational demand. It suited the case of those workers who had recently migrated from agriculture and had not yet forgotten their habits of labour. We find the movement for a division of the land in times which were less superstitious and mystically inclined than those of early Christianity, from ancient Athens and Rome until the great French Revolution.

Equality does not result from the partition of the land, to effect which requires an extensive fertile area, which is not yet cultivated by other workers, either free peasants, tenants, or colonists. Where such an area exists, the demand is superfluous. There the landlords are only too glad to secure the services of workers. Where the land is occupied, and even cut up into small holdings, the partition of the soil would signify the expulsion of other workers, and this was what generally happened in Athens and Rome. In an old settled country it was simply impossible to superimpose large numbers of fresh peasant holdings upon the technical foundation of peasant agriculture without injury to the latter.

With all these endeavours to realize equality, modern Socialism, which is based on modern, rational, large-scale industry, has nothing to do.

The privations of the propertyless masses arise from the fact that they do not control the means of production. As they no longer believe in miracles, they do not advocate the dissolution of the means of production into means of consumption, and the distribution of the latter. As they have no wish to renounce the advantages of large-scale industry, they do not advocate its splitting-up into small-scale industry. Instead of the private property of the capitalist in the means of production, they demand that the workers themselves should commonly own and utilize the latter. The aim is not the division of the property of the rich, either as means of production or of consumption,

among the poor, but the transformation of the property of the rich into the common property of society, which includes those who have hitherto been the poor.

The question of the adjustment of social inequalities will still be a question of property. The question is no longer one of the distribution of property to individuals, but of its unity in common ownership.

This does not, however, settle the question of distribution, which merely assumes a new form. The workers will produce in common in the socialist society, in order to exercise common control over their product. How much ought each person to receive ?

For a long time this has been considered by the majority of Socialists to be one of the most important questions to be solved before Socialism can be established. Some advocate that the individual worker should receive the full product of his labour, that is all that he produces ; others perceive in this an injustice and advocate that to each should be given according to his needs.

As far back as 1886 Anton Menger devoted a whole book to this question, *The Right to the Full Product of Labour*, in which he made a vigorous onslaught on Marx and Engels, who had underestimated the importance of the problem he dealt with.

In 1917 Lenin discussed in his book *The State and Revolution* the formula according to which the social product would be divided among the workers.

It is noteworthy that he appeals to the authority of Marx, the same Marx whom Menger had reproached with ignoring the distribution of the product in the future State. Of course, at that time Menger could not have known what we did not ourselves know until 1891, that Marx had dealt with this question shortly, but clearly and decisively, in his famous letter upon the Gotha party programme, written in 1875.

He criticizes the following sentences of the proposed programme :

" All members of society have equal rights to the whole product of labour."

And later :

" For the liberation of labour it is essential that the means of labour should be the common property of society, that associated labour should be co-operatively regulated, and that the product of labour should be justly distributed."

First of all Marx finds fault with the words " the product of labour," which might mean both the product of labour and of the value which it creates, and likewise the total product and the increment of value which the labour of a year adds to the product already in existence. Then he points out how indefinite and ambiguous the idea of " just distribution " is.

According to Lassalle, justice requires that every worker should receive the undiminished product of his labour. Marx points out that before the total social product can be distributed among the workers, deductions must be made to replace the used-up means of production, to provide means for the extension of production, reserves for adjusting disturbances and mishaps, such as bad harvests, etc., and then to meet the cost of administering the community and the expenditure upon the maintenance of the unfit and upon common services, such as roads, schools, etc.

Only what remains can be divided. Thus there can be no question of allotting to the worker the " undiminished " product of labour.

Upon what principle should the remainder be divided ?

" Upon the basis of equal rights," said the draft programme.

But every right, says Marx, is an unequal right, because it applies the same measure to unequal individuals. Is each to be rewarded according to his share in the social " product of labour," that is, according to his performance ? This would be a most unequal right, because one may be weaker than another, one may have many children, while another may be childless. In spite of this inequality and injustice, the socialist, or as Marx says the communist society, at the outset, would be obliged to continue the

traditions of capitalist society and reward the worker according to his performance. Marx continues [1]:

"In a higher phase of communist society, when the slavish subordination of the individual to the yoke of the division of labour has disappeared, and when concomitantly the distinction between mental and physical work has ceased to exist; when labour is no longer the means to live, but is in itself the first of vital needs; when the productive forces of society have expanded proportionally with the multiform development of the individuals of whom society is made up—then will the narrow bourgeois outlook be utterly transcended, and then will society inscribe upon its banners, 'From everyone according to his capacities; to everyone according to his needs!'"

This "higher phase of communist society" is what Lenin calls Communism proper. The first phase is "what is usually described as Socialism" (*The State and Revolution*).

This second phase Lenin already sees in the most brilliant colours. The principle: "From each according to his ability; to each according to his needs," he interprets to mean that "men will voluntarily work according to their abilities. There will then be no need for any exact calculation by society of the quantity of products to be distributed to each of its members; each will take freely 'according to his needs.'"

What a blessed state of affairs, in which each may work at what and for how long he likes; and each will find to hand such an abundance of articles of consumption that he may take freely whatever he likes.

At that time Lenin had no presentiment that the second phase of his Communism would assume quite a different character: that of compulsory labour and starvation.

Apart from this, has not Marx himself here embarked upon the search for an ideal standard of distribution?

By no means. This is clear from the next paragraphs. Marx continues:

"I have dealt so fully with these matters, with 'the

[1] *The Gotha Programme* (S.L.P.).

whole product of labour ' on the one hand, and with ' equal rights ' and with ' just distribution ' on the other, in order to show how monstrous it is to endeavour : first of all to force upon our party as dogmas, conceptions which at one time had a certain meaning, but which have now become obsolete verbiage ; and secondly, to endeavour to uproot the realistic conceptions which (after long labour) have been firmly implanted in the minds of our members, and to replace them by ideological fustian about rights and all the rest of it, concerning which the democrats and the French Socialists are so fond of prating.

" Apart from the considerations hitherto adduced, I may point out that it is a great mistake to make so much of this matter of distribution, and to stress that question above all others.

" The distribution of the means of consumption at any time is no more than a consequence of the extant distribution of the means of production. But this latter is characteristic of the prevailing mode of production. Capitalist production, for example, rests upon the fact that the material pre-requisites of production are in the hands of non-workers, the owners of capitalist property and landed property, whereas all that the masses possess is the personal pre-requisite of production, labour-power to wit. The elements of production being thus distributed, the extant distribution of the means of consumption follows spontaneously. But if the material pre-requisites of production be the co-operative property of the workers themselves, a method of distribution of the means of consumption differing from that now extant will ensue as a matter of course. Vulgar Socialism has accepted as gospel from the bourgeois economists (and a part even of the democracy has taken over the doctrine from the unreflecting Socialists) that the problem of distribution can be considered and treated independently of the mode of production, from which it is inferred that Socialism turns mainly upon the question of distribution. But the real

nature of these relationships has long been made perfectly clear. Why should we retrace our steps ? "

Marx deals with the same subject in more detail in the posthumous fragment of his *Contribution to the Criticism of Political Economy*, in the section devoted to " Production and Distribution."

" The subdivisions and organization of distribution are determined by the subdivisions and organization of production. Distribution is itself the product of production, not only in so far as the material goods are concerned, since only the results of production can be distributed ; but also as regards its form, since the different manner of participation in production determines the particular form of distribution, the form under which participation takes place " (*Contribution to the Criticism of Political Economy*, Karl Marx, section " Production and Distribution ").

This is clearly the case with capitalist production, which is a specific relationship of production between the worker and the owner of the means of production, the capitalist. It follows from this relationship that the product belongs to the owner of the means of production. But he is not able to keep intact the value which he receives in exchange, for the process of production must be kept going. Not from a single operation, but from its constant act of renewal, as a process of reproduction, does it derive its legitimacy, to which the capitalist also is subject. The latter must expend a part of the proceeds to buy new raw and auxiliary materials, coal, oil, etc., to maintain machines, buildings, etc. The laws of competition themselves compel him constantly to maintain his undertaking in a state of efficiency and to extend it, which involves new installations and new buildings. He must have in hand a sum of money as a wage fund for the workers he employs and to pay rates and taxes. The whole method of the distribution of the value of the product is prescribed for him by the conditions of production and of society ; he cannot dispose of the product as he likes. He can only do this with what remains to him as his consumption fund.

Similarly, the Socialist society will find in existence conditions of production which will determine the specific ways of distribution, quite independent of the dictates of justice, to which it might desire to give effect.

By virtue of the transformation of property in the means of production into common property, society will become the master of the whole of the products that are created. But in actuality it will only have the right of disposing of the consumption fund of the former masters of the means of production, the capitalists and landlords. Even this fund will not remain completely intact, as the socialist society will employ the former masters and pay them for their work. The remainder of the consumption fund of the capitalists will then be added to the wage fund and serve to increase wages. But under a socialist, as under a capitalist, mode of production, the remuneration of the worker will remain in closest connection with the process of production.

Of course, labour-power will now cease to be a commodity. Its price will no longer be determined by the supply and demand in the labour market. Nevertheless, the worker's wage, as heretofore, will have to be settled so as to form an incentive to further production.

The wages of labour will remain in closest connection with the technique and psychology of the labour process.

To-day the capitalist fixes the most varied forms of wages, in accordance with the peculiarities of the various kinds of activity. Some workers are engaged on piece-work, and others paid weekly. To some he supplies raw material, and pays them for the finished product they bring to him. His officials are paid by monthly or yearly salary.

Similarly, a socialist undertaking will be obliged to fix the most varied kinds of remuneration, according to the type of work that has to be rewarded. And although labour-power will cease to be a commodity, the effects of supply and demand will not be banished entirely. In any case, there will be an end of trade slumps and booms,

with the corresponding fluctuations in wages. There will, however, still be pleasant and unpleasant, light and heavy work. If we exclude compulsory labour, equal payment will attract men to the first kinds of labour, leaving a shortage of labour in the other kinds. If all kinds of work are to be executed in a proper and necessary relation to each other, there will be no alternative but to increase the wages for the unpleasant types of work, or to reduce the length of the working-day.

Thus the distribution of the social product among the individual workers will not be determined according to the principles of justice, however they may be formulated, but by the conditions and requirements of production.

III

PROPERTY AND ORGANIZATION

WHAT is decisive for Socialism is not the fixing of a special formula of just distribution, but the abolition of the exploitation of labour, or the abolition of unearned incomes. The abolition of rent, interest, and profit. This is only possible through the abolition of private property in the means of production.

Marxists have been aware for a long time that the above, and not the measure of distribution, is the essential thing for us Socialists. Yet we used to present the problem in a simpler form than it now appears to assume. The difficulty in the way of the transformation of private into social or State undertakings seemed to us to reside in the fact that the owner of an undertaking was also its manager, so that the undertaking could hardly continue to exist without its owner. This difficulty, however, was gradually vanishing through the economic development. The larger the undertaking, the more of its functions the capitalist was obliged to delegate to salaried officials, until eventually all its functions could be fulfilled in this manner. Once the undertaking reached this stage, the formal separation between ownership and management was a short step, and this is most strikingly exemplified in the form of joint stock companies. With these, the last pretence is abandoned that the person of the capitalist is necessary for the undertaking.

This is made plainer still when various undertakings in the same branch of industry are formed into an association which gives them a monopoly in this branch, at the same

time abolishing the independence of the separate undertakings and removing their " private initiative " from an important sphere.

Once matters have gone so far, it seemed that the transition to socialist ownership and management was merely a question of power. Were Labour to capture political power, nothing seemed simpler than to transfer the ownership of shares to the State, and to place the management of the syndicated undertakings under its control.

But the experiences of the last few years have shown us that the problem is not so simple, although we have been brought right to its threshold, for the Russian experiment does not count. It is an attempt with unsuitable means, directed to an unsuitable object.

When Marx and Engels published the second edition of the *Communist Manifesto* in 1872, they declared that in some passages it had become obsolete :

" The Commune has particularly shown that the working class cannot take over the ready-made State machinery and set it in motion for its own purposes."

What is here said about the State machinery may also be said about the capitalist mechanism of production, which the workers find ready to hand. They cannot simply take it over and set it in motion for their own purposes. They must first adapt it to their ends, as in the case of the State machine.

Capitalist industry is based on large-scale production and the division of labour which it involves. The individual undertaking is an enormous organism with numerous organs, animate and inanimate, each of which develops its special activity, all of which harmoniously co-operate, without friction, without loss of time, in order to produce in common the final product. To have developed this organization in the undertaking is the signal merit of capitalism. To establish such an organization requires to an increasing extent not only extraordinary organizing capabilities and practical experience in all the departments

of the complicated labour process, but also a solid, scientific education.

This is the organization that Socialism will take over from capitalism. It forms one of the prerequisites of Socialism. But it is moulded not upon the needs of production as such, but upon those of capitalist production, that is, the supreme rule, the autocracy, the dictatorship of the capitalist, or his representative in the undertaking. Like every other dictatorship or despotism, it presupposes the existence of subjects incapable of offering resistance.

The mechanism of industry, like the State machinery, must be adapted to the aims of Labour; in both cases autocracy must be replaced by democracy.

With this difference, that in 1872, when Marx and Engels wrote the passage quoted above, there were still in existence the great military monarchies, whose State apparatus could not simply be made subservient to Labour ends. Since then, however, apart from the military dictatorship in Russia and among many of her neighbours, these military monarchies had been replaced by democracy before the workers had proceeded to capture political power. It remains, therefore, to perfect the political machine, not to create it *de novo*.

On the other hand, the organization of the capitalist undertaking is still moulded entirely on the lines of the "master in the house." Trade unions have succeeded in restricting this power to a slight extent. The works committees constitute a further restriction. But all this is only a beginning. Almost everywhere a really democratic works constitution, which will make an end of capitalist autocracy without lessening the productivity and adaptability of the undertaking, has yet to be created.

But this process of reorganization does not exhaust the economic task of Socialism.

Industrial capitalism has exhibited qualities of genius in the organization of the process of production within the single large undertaking. Now the process of circulation, buying and selling, as well as the act of producing, is

a part of the whole economic process. Primitive peasant economy, which produces and consumes all that it needs, may exist without a system of circulating the products among the undertakings. Not so a society in which a division of labour among the various branches of production has been introduced. The factory must buy raw materials and coal, as well as acquire labour-power, if it is to produce. And its production would soon come to an end if its product did not find a market.

While production in the capitalist undertaking is strictly and often ingeniously organized, the process of circulation was for long unorganized and anarchical and given over to the free play of forces. And it is still badly neglected. It is in this sphere that the greatest economic waste and impediments occur, and here above all it is possible, through the introduction of systematic organization, to render socialist economy more productive than capitalist economy.

But the problem is enormous, and becomes increasingly difficult as world communication develops, and as the circulation process for a single big undertaking tends to embrace the whole world, whence it draws its raw and auxiliary materials and tools, and whither it must seek for purchasers of its products.

Capitalism itself has done very little preliminary work for the organization of the circulation process. Many people saw in the syndicates and trusts the indications of such an organization, but each of these associations only comprises a single branch of industry, and merely establishes uniformity in market conditions or the division of the markets into districts for the separate members of the association. The problem of the organization of circulation consists, however, in the systematic introduction of regulated conditions among the various branches of industry, and in the maintenance of equitable relations between them.

The problem is further complicated by the fact that hitherto the driving force and regulative factor of the

circulation process has been profit. Capital flows to branches of production and countries which yield a higher rate of profit, and increases production there. Capital flows away from places where the rate of profit is low, which leads to a restriction of production. Without this regulative influence of profit, capitalist economy would quickly relapse into anarchy.

Now the efforts of Labour, and therefore of Socialism, are directed to the abolition of exploitation, and consequently of profit. But this brings with it the task, not only of organizing the circulation process, but of doing so in such a way as to dispense with what has hitherto been the regulative factor : profit.

To create these new organizations, alike within the separate undertaking as within the whole social economy, is the proper economic task of the victorious Labour movement. Closely connected with it is the transformation of property in the means of production, which can only be accomplished in the measure that this process of organization becomes possible. Compared with this, the regulation of distribution is quite a secondary question.

The task is one of the most colossal and most difficult that world history has ever imposed upon a victorious class.

To solve the problem with one stroke is in the nature of the case impossible. It is equally impossible to solve the problem according to the indications of a single dictator, however ingenious and erudite he might be. It demands organizing capabilities, practical experience, and scientific knowledge in a measure which the greatest of mortals could never combine in his own person. It requires the zealous and devoted co-operation of the best representatives of economics in theory and practice, if we are ever to grapple with and progressively approach the solution of the problem.

Nothing could be more disastrous than to under-estimate the magnitude of the problem, and to approach it in a careless and light-hearted manner.

Here again Lenin offers us a warning example in the book from which we have so frequently quoted. We

have seen how simple the problems of the modern State seemed to him. With the same simplicity he visualizes the organization of production. He speaks of the conditions in capitalist States which prepare the entire population for participation in the direction of the State, such as general literacy, " the education and discipline implanted into millions of workers by the huge, complex, and socialized apparatus of the post, railways, big factories, large-scale commerce, banking, and so on."

If he did not believe that Russia had reached this advanced stage in 1917, at any rate he acted as if he believed it. He continues :

" With such an economic ground-work it is quite possible, immediately, within twenty-four hours, to pass to the overthrow of the capitalists and bureaucrats, and to replace them, in the control of production and distribution, in the business of apportioning labour and products, by the armed workers, or the people in arms. The question of control and book-keeping must not be confused with the question of the scientifically trained staff of engineers, agriculturists, and so on. These gentlemen work to-day owing allegiance to the capitalists : they will work even better to-morrow, owing it to the armed workers. Book-keeping and control—these are the chief things necessary for the smooth and correct functioning of the *first phase* of communist society. All the citizens are here transformed into the hired employees of the State, which then is the armed workers. All the citizens become the employees and workers of one national State ' syndicate.' It simply resolves itself into a question of all working to an equal extent, of all carrying out regularly the measure of work apportioned to them, and of all receiving equal pay.

" The book-keeping and control necessary for this have been simplified by capitalism to the utmost, till they have become the extraordinarily simple operations of watching, recording, and issuing receipts, within the reach of anybody who can read and write and knows the four arithmetical rules.

" The whole of society will have become one office and one factory, with equal work and equal pay " (*The State and Revolution*, pp. 103-4).

No, a social apparatus of production which is of so simple a nature that anybody who can read and write can organize and direct it, and in which the manager has nothing to do except supervise work and pay everybody an equal wage—that is a prison, not a factory. Even the simplest factory places greater demands upon its manager, to say nothing of the collective social work.

As crude as this were the economic ideas of the most eminent of the Bolshevists at the time they were contemplating the seizure of power. In a certain sense, this fabulous ignorance was a stroke of luck for Bolshevism. It imparted to it the requisite boldness to make Bolshevism the ruler of the most powerful State in Europe. For Russia and for Communism the luck was not so obvious.

It is not blind, impetuous daring, with complete disregard of all the difficulties that beset our problem, which should inspire the economic revolution of the workers. Upon us Socialists is rather imposed the most conscientious verification of every step that we take. However useful a revolutionary temperament which refuses to be hampered by the chains of tradition may be, it becomes dangerous when it is not directed and controlled by scientific thoroughness.

IV

THE MIDDLE CLASS AND THE LABOUR REVOLUTION

(*a*) The Middle Class Economic Revolution.

If Bolshevism puts the greatest stress upon the qualities of daring and ruthlessness, alike for the economic and the political revolution, this is partly due to its crude conceptions of the capitalist process of production, although not exclusively so. It is also a symptom of its preoccupation with the ideas of the Middle Class Revolution.

The latter is fundamentally distinguished from the Labour Revolution, on its political as well as on its economic side. This goes without saying so far as the economic aim of the Revolution is concerned. The Labour Revolution aims at abolishing that capitalism whose rapid and complete development was only made possible by the Middle Class Revolution. But the distinction between the two revolutions lies not merely in the aim but also in the methods.

The Middle Class Economic Revolution did not have to organize any new types of undertakings and communications. It had merely to liberate the types of undertakings which it found in existence from the feudal burdens and impediments which were imposed on them. Both before and after the Revolution, small businesses, and especially peasant undertakings, remained the preponderating type of business. Capitalist undertakings were still rare, and usually served to supply luxuries. The Revolution did indeed create the foundations which enabled the capitalist undertaking for the supply of popular needs to become

the dominant form of production in society, but the establishment of such an undertaking was not one of the tasks of the Middle Class Revolution. The work of this revolution was, however, not exclusively negative, as it had to organize a new State and elaborate a new legal code. But its economic task was relatively easy and obvious: the abolition of feudal burdens and privileges. Neither the peasant nor the handicraftsman needed to change his mode of conducting business, which went on as before, if less onerously. The large undertaking of the feudal lord lost, at least, its labour-power, which had consisted of the peasants liable to statutory service. But nothing prevented the feudal lord from attracting the same peasant by paying him wages. Moreover, these large undertakings were insignificant and badly managed. If the landlord was not inclined to resort to wage labour, he was obliged to cut up his property and either sell or lease it to small peasants. This did not signify an economic innovation, but only an extension of the area of the peasant economy already in existence. The case was the same when the Revolution not merely abolished feudal burdens, but also confiscated the large estates, in order to cut them up into smaller holdings and sell them to individuals.

The feudal lord himself became quite superfluous. Nowhere did the feudal burdens constitute a social necessity. There was no reason why they should not be forthwith declared abolished for the whole area of the State, for all undertakings and branches of industry. Economic life would have derived an impetus rather than have suffered a check from this proceeding.

In defence of Bolshevism, it has been contended that in its initial phase the revolution must always create some confusion in the economic life and consequently a certain degree of privation. This is certainly true of the Middle Class Revolution, although only of its political side. It is carried out amid the forcible upheaval of the governmental power, unrest, and civil war, which always involve great economic damage. This is still further increased when

civil war is accompanied by the war of the revolutionary State against reactionary powers. The collapse of the State power also involves a shrinkage of the revenue, and therefore the necessity of meeting the State's needs by the issue of paper currency, which causes monetary depreciation and the greatest economic uncertainty.

Once these consequences of the political revolution have been overcome, the economic life quickly recovers. Small undertakings, especially peasant holdings, continue to be carried on during the revolution, except in those places which become the cockpit of the war and the civil war; they rapidly recover from the devastation which has been inflicted on them, thanks to the increased vitality which the removal of feudal burdens and hindrances imparts to them. After the termination of the civil war and of terrorism, production enters upon a rapid upward movement.

As we have shown, the temporary damage to production is caused by the consequences of the political revolution, not by the rapidity, the ruthlessness, and the uniformity of the economic revolution. The latter was implicit in the economic tasks of the Middle Class Revolution.

In the epoch of middle class revolutions, many Governments proceed to give effect in a spasmodic fashion to a number of the revolutionary economic demands, without the pressure of a political revolution, either out of fear of the revolution or out of fear of the economic collapse which would threaten the State, if the feudal vestiges were not cleared away. Thus the emancipation of the peasants, for example, could be effected in such States at one stroke, through reforms from above as well as through the method of revolution. The reformist method is not distinguished from the revolutionary method by the fact that the one proceeds slowly step by step, while the other accomplishes the entire transformation with one effort. Under certain circumstances, as in Russia in 1861, the emancipation of the peasants may be accomplished with a stroke of the pen by an absolutist Government, just as

effectually as if it had been the work of a revolution, requiring several years for its consummation, as in the French Revolution.

The fundamental distinction between the reformist and the revolutionary method does not consist in rapidity and uniformity, but in ruthlessness.

The starting-point of reforms is not an alteration in the relative strength of classes. The feudal aristocracy, which derived benefits from the feudal burdens, retain their influence over the Government which carries out the reform. Consequently, the reform is accomplished in a manner that benefits instead of injuring the large estates. The peasant must pay for his freedom dearly, either with cash or with land which he surrenders to the feudal lord, whose property is thereby augmented. At the same time, the landowner receives cash payments, which enable him to purchase stock and pay wages, and thus create a modern large-scale undertaking. Unfortunately, he does not make sufficient use of these opportunities. It is more convenient to lease to the peasant the land which the latter has surrendered, and to dissipate the rents and the commutation money either in the capital of his country or abroad. Emancipation by means of reform imposed a heavy burden on the peasant, while emancipation by means of revolution effects an immediate improvement in his condition.

Again, reform does not have the effect of removing the antagonism between the peasants and the great landowners. This antagonism assumes new forms, which persist for decades. In Russia it was one of the strongest driving forces of the 1917 Revolution.

(*b*) The Labour Economic Revolution.

The economic, like the political, revolution of the workers is usually visualized by their revolutionary representatives upon the model of the Middle Class Revolution. On a former page we have quoted the expressions used by Rosa Luxemburg in her book upon *The Russian Revolution*, wherein she reveals herself a true Bolshevist

in not drawing any distinction between the Middle Class and the Labour Revolution. Her remarks concerning the latter apply to every great revolution.

We have already seen that the two types of revolution are distinguished by the fact that absolutism is the starting-point of the Middle Class Revolution, while the Labour Revolution takes its rise in democracy. An armed struggle, or civil war, is a necessary accompaniment of the former, while civil war represents an abnormality for the Labour Revolution.

The Labour Revolution may be peacefully consummated, under the forms of complete legality and without coercion, and the economic revolution of Labour will succeed the sooner and bear more lasting fruit the more peaceful the conditions amid which it proceeds.

For its object is quite different from that of the Middle Class Revolution. This object is not so simple and insensitive an organism as that of the small business which is co-extensive with the family, either producing itself or drawing from the immediate neighbourhood all that it needs. It is an organism with infinitely ramified division of labour, existing in the closest dependence upon numerous other economic organisms, which are frequently scattered over the whole world. This organism is indeed highly adaptable, and this has lately been shown in an astonishing manner by the world war and the rapid adaptation of the great industry to its needs. But its vitality is dependent upon its being directed by an experienced organizer.

The primitive small business does not need an organizer at all, for the only division of labour which characterizes it is that which is ordained by nature between man and woman. Its management devolves, as a matter of course, upon the head of the family, who is often the solitary worker in such a business. As a child the worker gains the experience he needs from observing his elders, and tradition provides him with all the knowledge he requires. To organize and manage a large modern business, on the other hand, requires comprehensive scientific training,

both of a technical and economic kind, and a constant study of the development of science as well as of the market. Without such knowledge, it is quite impossible to adapt a large undertaking to new tasks with any prospect of success.

And how enormous is the damage when an amateur undertakes to introduce a novelty into this organism, or to stand it on its head!

With the small business, however, the injury wrought by an unfortunate experiment is correspondingly small. It may enjoy the luxury of the principle: practice goes before theory. In the big business this principle would be fatal.

Consequently, during the stage of the Middle Class Revolution, the small business was seldom obliged to test a novelty. It was an extremely conservative institution.

Now the capitalist mode of production is subject to continual transformation. New inventions are continuously made now in one, now in another branch of production, which not only profoundly affect the branch of business concerned, but also others that are connected with it. Communications are always growing, opening up new markets, new classes of consumers, with new requirements, etc.

The big business is as sensitive to shocks as the small business was indifferent to disturbances which did not spell its total destruction. While the small business is conservative, the large-scale undertaking is adaptable.

And this is very fortunate for us, as the Labour Economic Revolution is distinguished from the Middle Class Revolution, not merely by its object—in the one case, the small business, in the other, the large-scale undertaking—but also by the tasks it has to perform.

The Middle Class Revolution is not called upon to alter the prevailing type of business which it finds in existence; it has merely to free it from burdens and impediments. The chief task of the Labour Economic Revolution is the adaptation of the forms of industry and transport to

the needs of the working class, in such wise as to satisfy them both as producers and consumers. The method of solving this problem is not so obvious as is the removal of the clearly defined feudal burdens. The problem must be thoroughly explored and the ground prepared, and this requires time. I do not mean time for timorous hesitations or hostile acts, but for zealous and conscientious work.

The solution will be impossible from the outset, if to the difficulties that beset the problem are added disturbances and fluctuations of the kind that are necessarily bound up with the Middle Class Revolution—*assignats*, civil war, the lawless arbitrariness of dictatorship, all of which defeat every consistent plan and every calculation and determination of the conditions of production, and degrade the entire process of production to an unsystematic habit of living from hand to mouth.

Small industry may perforce survive under such circumstances, as its means of production can mostly be produced overnight ; not so a modern big undertaking, with means of production and transport frequently requiring years for their completion.

There are Socialists who deem it their most important duty to figure as revolutionaries, whether the occasion be appropriate or not. Such Socialists are fond of the metaphor that a new social building has to be constructed, and therefore the old social house in which we dwell must be razed to the ground.

Now the metaphor of the house is not very appropriate, for society is not a building which can be constructed according to a specific plan. It is rather to be compared with an organism which grows and develops. If, however, we must use the metaphor of the house, there is one thing that should not be forgotten : the site on which the old house stands is the only site on which we can dwell, produce, and live. Where should we live during the interval between the pulling down of the old house and the construction of the new ?

To keep to the metaphor of the house, it is clear that our new building must be a reconstruction of the old building, a reconstruction which must be effected while we continue to live in the house. The task of the Labour Revolution is not the rapid and ruthless breaking up of the old, but the careful study of its structure for the purpose of making the most convenient use of it as the foundation of the new. Marx devoted the best part of his life to the investigation of the capitalist mode of production, which would have been quite superfluous if our task were merely the most rapid and ruthless destruction of capital.

If we may continue to use the metaphor of the house, in order to bring out the difference between the Middle Class and the Labour Revolution, we may say that the Middle Class Revolution had the task of erecting a new political, but not a new economic, building. It did not have to reconstruct the house in which society carried on its functions. But a heavy fall of snow had accumulated on its roof, which threatened to push it in and to destroy the whole building. It was therefore necessary to force open the locked doors leading to the roof, in order to proceed with all energy to sweeping the heaped-up snow into the streets.

(*c*) Confiscation or Compensation.

The Middle Class Political Revolution had far greater obstacles to overcome, far more difficult problems to solve than are to-day connected with the conquest of political power by Labour under democratic institutions. The former had to crush the instruments of absolutism, and create a completely new State machine. As a rule, the Labour movement finds the democratic institutions which the Middle Class Revolution or its aftermath has brought into existence sufficiently developed to serve as an instrument for the emancipation of the workers, as soon as they have acquired the necessary strength.

The Middle Class Economic Revolution had at the outset only economic burdens and obstacles to remove, no new

forms of organization to create. Now the Labour Economic Revolution has the task of erecting a strong new social structure out of the scattered material of the large undertakings which capitalism supplies, a new structure upon the same site as is occupied by the building which constitutes the old mode of production.

All the difficulties which beset the socialist task of reconstruction have not yet been exhausted.

The task of the Middle Class Revolution was all the easier inasmuch as everybody recognized that the feudal and the guild forms of production had long been obsolete, and had even become injurious. They could be abolished at one stroke in every branch of industry in a country ripe for revolution.

Since the fall of feudalism the capitalist mode of production has developed only gradually, and not in every department of economic life to the same extent. We find provinces in which the private undertaking has become a monopoly and is ripe for socialization, and others in which the immediate abolition of private enterprise is out of the question.

All Socialists who have been engaged upon the problems of socialization during recent years are agreed that it can only be effected gradually, and that for decades to come a considerable portion of our production will be conducted on capitalist lines.

Whence arises the great and difficult problem : to introduce socialist production and social property in the means of production, while permitting and even encouraging the continuance of capitalist production.

Nothing is more erroneous than the belief that it is incumbent upon the victorious Labour movement, as soon as it comes to power, immediately to bring capitalism as far as possible to a standstill. In doing so, the workers would not only injure the capitalists, but also themselves. If production came to a stop, the whole of society, including the workers, would collapse.

The continuance of capitalist production is a pressing

need, wherever and so long as socialist production has not been introduced. However sharply opposed are the interests of Capital and Labour, they have this much in common: both of them thrive the most with the rapid turnover and the rapid accumulation of capital. In periods of prosperity wages as well as profits rise, whereas both fall in periods of crises.

The victorious workers would therefore have every reason, not only to facilitate the continuance of capitalist production in all provinces where immediate socialization is precluded, but also to ensure that socialization does not bring about an economic crisis. They must provide for the smooth continuance of production in capitalist undertakings.

This continuance would not, however, be solely threatened by the workers, who might imagine that their victory signified the immediate cessation of all work for the capitalists; it would also, and to a greater degree, be threatened by the capitalists themselves, for whom the rule of the workers would naturally be a thorn in the side.

If we expect from democracy that it will permit the workers to seize power without the exertion of brute force, as soon as they are sufficiently strong, and that it will rob the bourgeoisie of the opportunity of forcible resistance, this does not mean that the capitalists will involuntarily submit and will not seek to resort to every possible form of resistance. They will employ the opportunities of resistance which democracy offers, and which they lavishly make use of to-day, in conjuction with the other resources at their disposal, such as corruption, deception, and dissension.

Capital has yet another resource at its disposal: the strike. The capitalist can close down his business and thereby exert a pressure on society. In doing so he inflicts economic injury on himself, and a permanent closing of the business would mean his utter ruin.

Nevertheless, it is quite possible that the whole body of capitalists would resort to this last desperate expedient,

if the Labour regime proceeded simply to confiscate the undertakings which it intended to convert into social property.

Why should the other capitalists continue to run their businesses if the same fate threatened them to-morrow? Every consideration which would restrain them from bringing about the collapse of the detested socialist regime through a sudden crisis of general unemployment and general starvation would disappear.

In such a case, the Socialist who is infected by Bolshevism would resort to the means which is always ready to hand to remove a difficulty out of the way: force.

At the outset, one could simply punish every capitalist who closed down his business when it was confiscated. This would not make any impression if confiscation were the fate that sooner or later overtook every capitalist undertaking. And it would only be of assistance if only a few capitalists resorted to the expedient of closing their businesses. These businesses could be confiscated in order to be sold or leased to other capitalists, who would pledge themselves to run the undertakings. It is at least questionable whether valiant people could be found to invest money in a business which would be taken away from them after a few years without compensation.

In any case the employment of confiscation as a punishment would completely fail in the event of a strike of the whole or even of a considerable section of the capitalist class. The Socialist Government would soon have many thousands of bankrupt businesses on its hands, without any machinery for running them—as, according to our assumption, every undertaking that is ripe for socialization would already have been socialized. The result would be the complete economic collapse of the new Labour regime.

Now the comrade with Bolshevist tendencies would aver that this would be only a consequence of the weakness of the ruling Socialists. The latter should have proceeded further if the threat of immediate confiscation had proved

unavailing, and by the simple threat of the death penalty should have compelled every recalcitrant capitalist to continue running his business.

Unfortunately, however, compulsory labour is an extremely imperfect form of labour. It is ineffective in direct proportion to the intricacy of the instruments and organization of production.

The Soviet State has already discovered this to be the case with manual labour, and emphatically so with the labour of the intellectuals. Although, as we have seen, Lenin flattered himself that the engineers and other experts would more readily serve the armed workers than the capitalists, he was fated to discover that the point of the bayonet is not the best incentive to labour.

And now we are to believe that even the functions of capitalism may be exercised through the pressure of terrorism. The acute crisis caused by a sudden stoppage of the whole process of capitalist production might perhaps be avoided, but only at the cost of a crisis not less dangerous in its incidence and a continuous decline in production. Red guards might bring the capitalist to his office every day, but would they also ensure that work was conscientiously and regularly carried on in the factory? Would they supervise the business correspondence, and ensure that sufficient coal and raw materials was always in existence, the machines kept in a state of repair, and the creditors paid at the right time?

This might be possible if reading, writing, and arithmetic were all that was necessary for the exercise of capitalist functions, and that these consisted in the registration and control of labour. But the Bolshevists know better to-day, and look to other methods than coercion to induce the capitalists to function.

The capitalist has not merely the task of keeping his business running. Upon him is imposed the extremely important historical function of accumulating capital, and constantly improving and extending his undertaking. Can this be done by coercion?

The greatest and in the long run only effective economic incentive is interest, either individual or corporate, not coercion.

If a Labour regime desires to counteract successfully the attempts at *sabotage* of those capitalists whom it still needs, it must give them an interest in the uninterrupted continuance and constant improvement of their undertakings.

This is impossible if every undertaking that is socialized is confiscated. This object can only be achieved if reasonable compensation is paid for the undertaking, when it is desired to socialize it. This compensation ought to be a payment to those who have kept their undertakings in a state of efficiency and conducted them with good commercial success. It ought not to be paid for obsolete, neglected, and badly managed undertakings, which as a rule only keep above water by the shameless exploitation of their workers.

By this means only will it be possible to solve the problem of socializing the process of production in those spheres where it has become a practical question, whilst ensuring the continuance and energetic development of production upon a capitalist basis in those spheres where the conditions for socialization do not yet exist.

The more we avoid economic convulsions, the more we achieve through pacific means, the less we have to resort to compulsory expropriation, even with compensation, so much the better. This does not depend upon our wishes, but upon the insight possessed by both sides into the relative strength of parties. The more impressive the power of the workers, the sooner will the capitalists be disposed to listen to reason. This power again will be all the more impressive in the degree that the socialist regime is enabled to establish socialist production in a successful manner. Object lessons will prove the most effective means of persuasion.

At the outset socialization will encounter the greatest obstacles, but as it progresses these obstacles will decrease,

always supposing that the policy is thoroughly considered and applied with due circumspection. The Russian example has not precisely assisted the proselytizing force of the idea of socialization.

But many will ask, if the capitalists are to be fully compensated, what is all the bother about? The most suitable method of compensating the expropriated capitalists will be to allot to them State bonds, the interest on which would be equal to the total former profits of the socialized undertakings. They could also be paid in cash from the proceeds of a loan which the State would raise. To meet the service of this loan the State would be obliged to earmark such portion of the proceeds of the socialized undertakings as would be equal to the profits they formerly yielded. In this case it would seem that no change in the exploitation of the worker by capital had been effected. Now the State would have to conduct the business of exploitation on behalf of the capitalists, who had hitherto conducted it directly. This is true, but the following considerations must be borne in mind.

It would not do to raise the wages of the workers in such undertakings as had been ruthlessly confiscated for the purpose of socialization by an amount equivalent to the profits which these businesses yielded. This would be equivalent to paying a premium which they had done nothing to deserve to those whom chance had placed in such undertakings. Or ought we to transform these workers into an aristocracy of labour above those whom fate had been so unkind as to draft into vocations which were not yet ripe for socialization?

And how should we prevent these favoured undertakings being flooded with labour-power? Ought the workers already there and their progeny to be invested with a legal right to their positions, thus forming an hereditary aristocracy?

While the socialized undertakings should be model undertakings, and set an example to private enterprise

in the improvement of labour conditions, they ought not to elevate their workers permanently above other workers.

It may be objected that the workers concerned would not demand that they alone should receive the profits of the socialized undertakings, but that these profits ought to go to the community, and not to private capitalists. The answer is that the proper method of diverting the surplus value, which the capitalist class appropriates, to the service of the community is that of the taxation of large incomes, property, and inheritances. This method, which affects the whole class and not a few chance individuals, remains the best under all circumstances, even after socialization has commenced. Moreover, socialization would effect a considerable alteration, in so far as its progress would be accompanied by a diminution of productive capital, that is, of the capital invested in productive undertakings, whereas incomes would increase. The latter are not only more easily assessed for taxation, but a heavy toll may be levied upon them without any danger to the continuance of production.

If we would divert the amount of interest payable upon the compensation awarded to the expropriated capitalists to the community, we should seek to achieve this object by taxing the whole of the capitalist class. This would be more rational from an economic standpoint, and more just according to our moral ideas than the plundering of a few capitalists who happen to be right in our path, whereby we should seriously obstruct and jeopardize the whole economic life.

This does not imply that socialization would not confer real and considerable advantages upon the workers. Only these advantages are of a different nature from the immediate raising of wages. We have seen that the motive of poverty, which was the exclusive incentive in the early struggles of the workers against capital, tends to fall into the background. The struggle assumes to an increasing extent the character of a struggle for power and freedom. It will be the loss of their power that above

all else will make the capitalists hostile to socialization, even if they are adequately compensated. It would be absurd to expect that we could thereby buy the goodwill of the capitalists. Their hostility will remain, and we shall have to guard against it. But it will not display itself in forms that are so economically injurious as the obstructing of production. Against such a policy their economic interests will plead too strongly.

The autocracy of the owner will no longer prevail in the socialized undertakings. These, like every other organization, must have a direction, but this direction, instead of being independent of, would derive its authority from the workers—in part from the State which would now be ruled by the whole body of workers, and be finally identified with the whole of society, with the "consumers," and in part from the workers employed in the branch of production and the particular undertaking itself, that is, the "producers."

It might be thought that this alone would represent such enormous progress as to compensate the working class for its efforts, even if its victory did not immediately lead to increases in wages. It was said in bitterness that the recent German Revolution was at bottom only a rabid wage movement.

We do not suggest that the efforts of the workers to increase their wages should be slackened. Although the Labour class struggle might no longer be exclusively a struggle against poverty, there would still be a large amount of extreme poverty in society. Of few workers, even among the best paid, could it be said that their wages suffice to assure them an adequate share in the advantages of civilization. Socialism would be a poor thing if it brought to the masses only a greater measure of democracy in industry, and not increased prosperity and a higher civilization. Socialism will achieve both the one and the other, but not both at the same pace. The democratization of industry must take precedence. If its economic results are those that we may expect, increased prosperity will follow.

The second great question involved in socialization is the following. We have seen that under capitalist production every increase in the productivity of labour almost exclusively benefits the owners of the means of production. This will cease with socialization, with the transference to the community of property in the means of production. Every item of technical progress, every improvement in the methods and organization of labour, every extension of production will henceforth exclusively benefit the new owners of the means of production, that is, society or the workers. If hitherto the economic progress of the workers has been merely the result of their struggle and has been continuously threatened by new technical achievements, forms of organization and methods, henceforth their economic progress will be the effortless and automatic consequence of all these innovations, which will be transformed from their feared enemies into their best friends.

This new tendency in social development, which is diametrically opposed to the previous tendency, will exert an extremely beneficial effect, as soon as it becomes perceptible. It will constitute the second great achievement of socialization, which possesses the energizing quality of stimulating everybody who has recognized it for what it is to make the most enthusiastic and devoted efforts on its behalf, even if immediate and ample increases in wages are not immediately forthcoming.

Hitherto the growth of capital has been accompanied by an increase, often in the intensity, but always in the extent of the exploitation which it exercises. Such increase of exploitation will cease in the socialized branches of production. There will be an increase in the quantity of their products, but not in the volume of profit falling to the compensated capitalists, which will be fixed once for all.

The tendency will now be for the degree of exploitation to lessen with the growing productivity of labour. The interest paid to the capitalists will henceforth constitute an ever decreasing fraction of the total product.

It will be within the power of the community from time to time to effect an absolute diminution in the amount of interest paid to the compensated capitalists, either by means of the redemption of a portion of the State bonds or by their re-conversion when the rate of interest is falling. Thus capitalist exploitation will be steadily diminished until it finally disappears.

Many Socialists may find it difficult to appreciate the arguments that are here set forth. In fact, if we regard the matter from the standpoint of class psychology, we should expect to find the revolutions of the bourgeoisie and of the proletariat exactly opposite to their real character. The bourgeois as an owner has respect for property; having much to lose, he is cautious and inclined to compromises. And it is precisely the revolution of his class that assumes a coercive and impetuous character, and explodes in civil war and acts of confiscation.

The case is the reverse with the worker. As one of the dispossessed, he is not keen about sparing the property of the great exploiters. He has little to lose and much to gain, and his position is so deplorable that he strives impatiently and impetuously for its immediate improvement. And yet the revolution of his class has the greatest prospect of achieving a peaceful consummation, without acts of coercion, each step being cautiously prepared, and forbearance being shown towards capitalist property.

This contradicts the psychic needs of the workers so much that anyone who wishes to paint the Revolution in lurid colours will easily earn great applause at Labour meetings. But it is not the psychic urge, the instinctive need, alone that is decisive in history. Of course no conscious human action can be executed without a preliminary act of will. Without will there can be no action. But the success of the act of willing depends upon material conditions, which may not be disregarded. He who determines to run his head against a wall will damage his skull, and the hurt will be the greater the more resolute his will to penetrate the wall in this fashion.

Economic necessity is the decisive factor in history, and our determination will only conduct us to victory if it coincides with what is economically necessary.

The Russian Revolution corresponded to the psychic needs of the workers far more than the method of the Labour Revolution which is here presented. But what is the outcome of it? Lenin announced triumphantly: I have ruthlessly beaten capitalism to the ground. But it will not let go of me, and now we both lie there interlocked, and if I want to stretch my limbs again I must help my opponent to his feet.

Let us study our feelings and the applause of excited popular meetings less, and let us study the economic driving forces and their laws more. This is more tedious, and often very unpopular, but is the only way to conduct the Labour Revolution to victory.

V

THE ECONOMIC SCHEME [1]

THE creation of a socialistic organization is therefore not so simple a process as we used to think, when the problem had not approached so near to us. What kind of organization this will be and how it will be introduced is the question which is now engaging the attention of the theorists, and also the far-seeing politicians of Socialism. In recent years a whole literature on the subject has grown up, mostly in Germany and neighbouring Austria, but also in England, that is, in those countries where economic conditions are favourable to Socialism. Many Utopian features can be detected in this literature, but it is otherwise valuable. Although it shares with Utopianism the common task of presenting a picture of socialistic production, it stands upon far firmer ground than did the old Utopists, whose labours were purely speculative. Moreover, thanks to Marx, we are now familiar with the idea of social evolution. We no longer seek for a perfect society, which would render any further development impossible, but only for a solution of the specific problems which capitalism presents to us. The utopian features in the socialization literature have usually been introduced by non-Marxists, who did not discover their Labour sympathies until after the Revolution.

The reproach has been levelled at us that our investigations ought to have been made sooner, in which case the outcome of the Revolution would have been different. But without the experience furnished by the Revolution,

[1] *Planwirtschaft.*

these questions could not have been discussed with the necessary preciseness. We could not have foreseen when and under what circumstances we were coming to power.

It is true that in the winter of 1918–19 we had a purely Socialist Government in Germany for several months. But the German working class revealed its unreadiness at that time by indulging in internecine strife. We had three Socialist parties, the Majoritarians, the Independents, and the Communists, which fought each other with great fury. As their name indicates, the first comprised the great majority of the German workers. But the capital of a modern State plays a decisive part in revolutionary times, and Independents and Communists were preponderant in Berlin. As if this dissension were not sufficient, both Communists and Independents were divided among themselves—in the one case Rosa Luxemburg, and in the other Hugo Haase found a strong opposition. At any rate, the Communists were so far united that they remained outside the Socialist Government, which they fought. But the Independents presented the tragi-comical spectacle of a party whose Right Wing sat in the Government, which its Left Wing strove to overturn.

It will be conceded by every unbiased person that such a working class would lack both the strength and the capability to inaugurate a successful policy of socialization.

In addition to this political difficulty, there were the economic difficulties which sprang from the defeat, the collapse, and the senseless Peace of Versailles. Socialism cannot arise from a crippled and stagnate capitalism, but only from a capitalism carried to its highest point of productivity.

Not until the Socialist parties, purged by the Revolution, have imposed a higher training and discipline upon the politically still illiterate masses ; not until the illusions and cult of force of Communism have been replaced by economic insight ; not until the worst consequences of the war and of the Peace Treaty have been overcome and the process of production is again working smoothly, will

the time come for a successful policy of socialization. I believe it will arrive sooner for England than for Germany.

All the investigations and isolated attempts which are now being made in the province of socialization are chiefly directed to the end of preparing public opinion for the time when the workers capture political power, and therefore acquire the strength to embark upon a resolute policy of socialization. The greater the sum of theoretical knowledge and practical experience we shall have gathered by that time, the more rapidly and the more securely we shall be able to advance.

Instead of being too late, now is the most propitious time for the leading minds of Socialism to apply themselves to this subject with all their strength. The most important work will devolve upon those who possess eminent gifts of organization, or rather those who combine with such gifts great theoretical powers and knowledge. This combination is seldom to be found amongst us old men—in my own case I must confess that organizing ability is wholly lacking. I must therefore confine myself in what follows to a few indications, although they touch the very kernel of our historical task during the next decades.

Recent as the socialization literature is, we are already able to detect various tendencies in it.

Above all, there are two conceptions regarding the question which is vital for us so long as we are standing on the threshold of our task, viz. how shall we begin ?

Socialization cannot be achieved at one stroke, but must be accomplished gradually. Upon this we are agreed, but different answers are given to the question, in which sphere shall we commence ?

Capitalist economy is divided into two different processes : the production of commodities and their circulation, their purchase and sale. Of course, both processes are closely bound up with each other, and may not be separated.

One of the tendencies indicates that we should begin with the process of production, the other with the process of circulation.

The second would at the outset leave untouched capitalist property in the means of production. The individual capitalist could—many even say should—remain the owner and manager of his business. But he would not be permitted to decide what he should bring to the market, that is, what he should produce.

Statistics are to be prepared of the total productive forces in the State, and likewise of the total needs of consumers, and upon the basis of the data given an economic scheme is to be formulated, into which each undertaking will fit. Production shall or may continue to be private production, but it will no longer be the factor of profit but the needs of society which shall decide what and how much the individual producer will produce and take to the market, or assign to the State. Social needs instead of profit will be the regulative factor.

Prices are not to be fixed in the market by supply and demand, but by the calculation of the costs of production. The separate undertakings of a branch of industry are to be organized into syndicates, which will be controlled by workers and consumers, as well as by employers.

Such in summary outline are the proposals for an economic scheme of the type that has been advocated by Wissell and Neurath.[1]

These proposals are very seductive. Within the limits of a single large undertaking industrial capitalism has already developed the productivity of labour to the highest point. There is no prospect of effecting any rapid improvement through socialization. On the other hand, within the sphere of circulation we still find the greatest waste and the most painful and paralysing crises. If we substitute an economic scheme for this planlessness, we can at once

[1] Rudolf Wissell and Alfred Striemer, *Ohne Planwirtschaft kein Aufbau*, Stuttgart, 1921. R. Wissell, *Kritik und Aufbau*, Berlin, 1921. Dr. Otto Neurath, *Wesen und Weg zur Sozialisierung*, Munich, 1919. Consult upon this and upon the questions of socialization generally Heinrich Ströbel's instructive exposition: *Die Sozialisierung, ihre Wege und Voraussetungen*, Berlin, 1921. English translation by H. J. Stenning, *Socialization in Theory and Practice*, P. S. King & Son.

effect a considerable increase in the social output, and thus in general prosperity, even without any diminution in the income of capital.

Capital will not merely retain its income, but its property in the means of production need not be affected.

The latter consideration has influenced many advocates of the economic scheme. Yet this economic scheme by no means excludes the expropriation of the capitalists. Most of the supporters of the economic scheme desire both things; only they consider it necessary to make a start with their scheme, because it can be more easily put into operation. But there are also advocates of the economic scheme who believe its advantages will be sufficiently great to satisfy the workers, so that the other kind of socialization would become superfluous.

In reality, the last-named contingency is out of the question.

The constant improvement in the worker's position would not diminish the antagonism between Capital and Labour within the undertaking; it would merely alter its character. As the struggle of the workers ceases to be a fight for bread, it becomes a struggle for freedom and power.

On the other hand, is it reasonable to expect that the capitalists would more easily accommodate themselves to an economic scheme; that they would offer less resistance to it than to the more or less compulsory sale of their businesses.

Neither in the one nor in the other case would their incomes be curtailed. But a capitalist could do what he liked with the compensation money he received. He could purchase one of the businesses that were not yet socialized. The demand for such undertakings would then grow; their price would rise; their rate of profit would correspondingly fall; but the energetic business man would be able, as heretofore, to carry on his activities without hindrance.

The economic scheme, however, would entirely close to the capitalist an important sphere of influence, that which is

peculiarly capitalistic, the mercantile province, and this for all undertakings. The superintendence of the workers in the undertaking would remain as his sole field of activity. He would no longer be able to derive a profit from buying cheap and selling dear, and getting as much work as possible out of his workers.

This would certainly accentuate the antagonism between Capital and Labour, but it would also make the situation of the capitalists extremely uncomfortable.

The economic scheme would inflict degradation upon the whole class of capitalists at once, whereas the socialization of a few undertakings and branches of business at the outset would only affect a small section of the capitalist class, and would begin with those branches of production that had become private monopolies, and as such would stand in a competitive relation to those branches where free competition still prevailed.

We have therefore no grounds for supposing that the economic scheme would encounter less resistance than the progressive socialization of businesses.

Nor would it permit a more rapid accomplishment of socialization. It is based on comprehensive statistics relating both to the productive forces and to consumption, and these statistics would be drawn from other countries as well. Otto Neurath considers :

" An adequate economic scheme is essential if we are to raise the standard of existence. It is not enough to be acquainted with the whole of the possibilities of production and of the needs of consumers. We must be able to follow the movement and the destination of raw materials and energies, of men and machines throughout the economic organism. We must be in a position to ascertain what quantities of coal, iron, lime, etc., what numbers of machines and men are required for the foundries, what proportions of these ingredients are transferred to industry and to agriculture.

" For such purposes we shall need international statistics.

" The economic scheme would have to be elaborated in a single office, which would regard the whole field of economic and social activity as one gigantic undertaking."

Until we have these international statistics and the economic scheme to be based upon them, it will scarcely be possible to put these ideas into practice. Such comprehensive statistics cannot be compiled overnight. They presuppose a colossal machinery of expert and conscientious collaborators. It would be many years before we could compile statistics of this kind that were in any way reliable, even if it could be done at all on the basis of private property in the means of production.

Neurath seems to conceive of the organism of social economy in too simple terms. In referring to the products in question, he is always mentioning the basic products of industry, such as coal, iron, copper, lime, cement, etc. The quantities of these products may be calculated at the present time. But the statistical difficulties increase with the progress of the raw products through the various stages of preparation until they reach the finished state of products for personal consumption. It seems to me quite impossible to compile exact statistics of the infinite variety of all these products under private enterprise.

That Neurath presents his economic scheme in such simple terms may be explained by the fact that he bases his panacea upon natural economy. We shall, however, see that only a crude economy, whose members have the most primitive needs, is possible upon this basis, or such a sublime social order as may to-day be relegated to cloud cuckoo-land. It is quite incompatible with the economic conditions and needs that exist, and those which are developing out of them.

The economic scheme, upon whose advent the fate of socialization is to depend and of which it is to form the starting-point, is assuredly at present and as long as private property exists to any extent nothing but a *fata Morgana*.

Even more important than these objections to the pretentions of the economic scheme to form the starting-point

of socialization is the following: it reserves (at least at first) private property in the means of production and the management of the business to the capitalists or their representatives, but at the same time designs to replace the motive of profit by the satisfaction of needs. To-day profit operates as the driving force and regulator of the production of private capitalists. It is an extremely imperfect regulator, and only functions with the accompaniment of crises and constant friction and great loss of energy, but hitherto it has shown itself to be the only possible agency to maintain production in full swing on the basis of private property in the means of production.

Now this property is to continue to exist, but the economic scheme imposed by the State is to take the place of profit as the driving force and regulator. Whence will the scheme derive its compelling power? Manifestly from the State, which will constrain the individual producers to organize their production upon the basis of this scheme, irrespective of what their business prospects would be without it.

As we have repeatedly observed, a high and intricate form of production cannot be based on compulsion. The element of coercion in production always leads to lower and cruder forms of production. But Socialism ought to represent an advance upon, not a retrogression from, capitalism. It is our aim to replace the element of coercion which still inheres in wage-labour by the interest of the worker in his work and its result, and not to introduce a new element of compulsion as the driving force in the process of production, while retaining the existing forms of production.

As the driving force, be it observed. Social compulsion may accomplish much where it is a question of resisting or neutralizing a superior force. Coercion was necessary to induce the feudal lords to renounce their property and their rights. It is necessary to prevent industrialists from working their workers to death, or from condemning children of tender age to slavery in factory hells. Com-

pulsion will be necessary to deprive the capitalists of their property in the means of production.

Exercised in this way, compulsion may be productive of much good, and even indispensable. But of quite a different kind is the compulsion which operates positively, instead of negatively, and which would compel a person to perform reluctantly what could only be adequately performed if his whole heart were in the business.

The supports of the economic scheme point to the trusts, the cartels, etc., where, in spite of the continuance of private property in the means of production, the individual capitalist produces and sells according to the directions of the collective organization, and not according to his own caprices. In fact, the idea of the economic scheme signifies nothing but an extension of the idea of the syndicate. On the one hand, such associations are to be obligatory upon everybody concerned, and on the other hand they are to be brought into close and harmonious connection with each other.

This overlooks a small point : in the associations which are created by capitalists and not by the State, the motive of profit is not excluded. On the contrary, upon this factor depends their strength and vitality. Trusts and cartels are created in order to increase the profits of their members, to provide them with extra profits which could not be obtained under free competition. This profit, this interest, and not external compulsion, induces the individual capitalist to submit to the regulation of production by the association. Moreover, the object of this regulation is not to adapt production to requirements, but to restrict it (at least so far as the home market is concerned) until it falls short of requirements.

Where the association is not able to increase its profits in this way at the expense of the consumer, it exerts its whole strength merely against the worker.

The economic scheme designs to organize industrial associations, which will direct their force either against the worker or the consumer, and yet be deprived of every

opportunity of extracting extra profits. If the attempt to invest the associations with supreme power in this way should be successful, they would be entirely useless for the regulation of production, inasmuch as the guiding motive of profit will be lacking. For the execution of its economic scheme, the State would have no alternative but to establish an enormous bureaucratic machine by the side of the machinery of production, in order to supervise the latter. This organization would be protracted and laborious, and its functioning would soon produce intolerable friction and hindrances. The result would eventually be as lamentable as the present Russian example.

It is beside the point to argue that compulsory regulation was useful and even necessary during the war. The conditions which a war creates are not normal. And even the war regulations did not exclude profit, but in fact yielded most substantial profits.

A system which aims at supplying needs, without the intolerable futile and even harmful element of compulsion as its driving force, could only be organized if those whose needs were to be supplied themselves controlled the means of production. The more the organized power of society, the State, owns and operates important implements of production, the clearer will become its insight into the possibilities of production and social needs, the closer will its statistics of production and consumption approach the ideal of universal statistics. The more will the character of its undertakings approach the ideal of an economic scheme for the whole of society.

However necessary and fruitful this economic scheme may be, it cannot be the starting-point of progressive socialization, but must constitute its final phase. To seek to impose it at the commencement of socialization is equivalent to beginning the construction of the socialist edifice with the roof.

For this reason it is absurd to recommend socialization as a remedy for the current crisis. Socialism will make a definite end of crises and unemployment once it is put

into extensive operation. Crises and unemployment will diminish in intensity in the degree that socialization progresses. But socialization could never be introduced so quickly and so thoroughly that it would put a stop to a crisis that had already broken out.

Socialization will operate successfully, not as a remedy for nascent crises, but as a prophylactic against coming crises.

VI

BUREAUCRACY

In applying the principle of socialization, we will not therefore commence with the circulation process, but with the process of production, where the class antagonism between Capital and Labour, which forms the most powerful driving force of socialization, is concentrated.

The first volume of Marx's *Capital,* which deals with the process of production, has exercised the most profound historical influence, whereas the second volume, which investigates the circulation process, has only been studied by a few experts.

Production in present-day society, however, is an infinitely varied process. At the time of the Middle Class Revolution, peasant holdings still formed the great majority of the productive undertakings of all countries. It is true that a certain division of labour existed in the towns, but this had not progressed very far.

Division of labour is now the rule in every calling and enterprise, and it grows with the extension of the world market. Every speciality has its peculiar methods, its special technical and economic conditions, which also create particular forms of organization in the business.

The capitalist mode of production has become the dominant, but it is by no means the sole type of enterprise. Numerous pre-capitalist types of business are still in existence, especially in agriculture. Even industrial capitalism itself, which changes so rapidly, exhibits various forms of development, from the smallest home industry, organized and exploited by an agent, to the giant concern whose prototype is the American Steel Trust.

And to these variations in the stages of economic development are to be added variations in technique, which require one set of forms and conditions of organization for the heavy metals industry, and another for the textile industry, another for the chemical industry, and another for printing, etc.

Consequently, not all branches of production and not all undertakings are equally ripe for immediate socialization, which will have to begin where conditions are most favourable. Fortified by the experience there acquired, socialization will gradually extend its influence to more complicated and difficult provinces. Its starting-points will vary considerably, and different forms will have to be adopted in the different branches of production. With growing experience, new forms will be added to the forms which we are able to foresee to-day, for life always proves richer than the most luxuriant imagination. The reflection of life in our minds is always an abstraction, a simplification. This is true of the reflection of the present in which we have our being ; how much more true of the picture we are able to sketch of the future with the assistance of a few indications.

This has often been overlooked in our own ranks, as well as by our opponents, and there has grown up the conception of a socialist system of production marked by extreme uniformity. All businesses are to be transformed into State undertakings, like the post office and the railways, and directed by the official bureaucracy. Production has also been organized upon these lines in the Soviet State.

Now one may cherish the most various ideas concerning socialist production, but one thing is certain : the official bureaucracy, by virtue of its history and nature, is the most unsuitable agency for the establishment of socialist production.

We have already seen that Marx proposed to restrict their sphere of activity to the utmost. This applies to economics as well as to politics.

Be it noted that we are here speaking of the political

bureaucracy, not of bureaucracy in general, of which the political is only a special department.

The future of economics, as well as of politics, belongs to mass organization, which requires a direction composed of numerous organs. The more difficult the social problems which such an organization has to solve, the less will its director and his assistants be able to manage with mere common sense and ordinary education. The less will it be an amateur task, carried on in the leisure hours of the evening. It will require cultivated and experienced experts, who will constitute in their offices a special organization, a bureaucracy.

No doubt the office people would form a danger to the members of the organization. The individual members as separate units would be confronted by the closed phalanx of the managing office, the staff of which would always be in touch with each other, and be superior to the members, if not in general education, at least in expert knowledge.

Nevertheless, the most democratic mass organization, if it has to solve modern social problems, cannot manage without a bureaucracy. A democracy which tried to dispense with bureaucratic assistance would only be capable of solving simple problems. Modern democracy signifies not the abolition of bureaucracy, but its subordination to the members of the organization, upon whose power of selection and control it would be dependent.

It may be admitted that this alone would not safeguard democracy in view of the natural superiority of the bureaucrats over the multitude.

General mistrust has been recommended as a safeguard against the bureaucracy, and especially its heads. Bebel, for instance, was fond of praising mistrust as a democratic virtue. But in reality mistrust produces a paralysing effect. An organization which distrusts its leaders, which is not inspired by perfect confidence in its leaders, will never accomplish great things. Yet it is ludicrous to observe that many leaders demand trust from their members as a duty on the latter's part. Confidence can never be

exacted; it can only be offered. And blind confidence produces disastrous results, just as much as blind mistrust, which is incapable of separating the wheat from the chaff.

It is not mistrust which would avert the danger of the office chiefs developing into a real bureaucracy, but only the intelligence and knowledge of the masses. If the masses are unable to acquire the detailed expert knowledge which the office people possess, because they can only devote intermittent attention to these things, they ought at least to be intelligent and instructed enough to be able to distinguish expert arguments from phrases and serious workers from demagogues. Given these conditions, the workers should be able to control a bureaucracy which is part of a democratic organization, and it should prove an efficient instrument to promote the aims of the organization.

These remarks apply to bureaucracy in general, of which political bureaucracy is a special branch. In its present form it is the offspring of the absolutism that developed with the rise of the monetary system.

In the period of medieval natural economy, the State possessed no means of paying its officials and also its soldiers other than granting them the tenure of estates, together with the services of the labourers attached thereto. This made the officials as well as the warriors very independent of their masters. As a rule, they discovered how to transform the land which they held on fief into an hereditary estate, and to give an independent direction to the administration of the district assigned to them. Local government in the State was widely spread at that time, although it rested upon an aristocratic rather than a democratic basis.

By the side of the administration of the feudal lords in the provinces loomed that of the towns, each of which possessed as much freedom as it had been strong enough to wrest from the princes in whose domains it was situated. They were more or less free republics, but their local government generally bore an aristocratic character. The patricians, in conjunction with the merchant princes,

carried on the administration, with the co-operation of the guilds, which only in exceptional cases gained supreme power. The lower, non-guildsman population had no voice whatever in the municipal government.

As the third factor in the administration of the State there was the Church, which was the greatest, most powerful, and most intelligent of the medieval organizations.

In competition with these three independent administrative elements, the monarchs played a sorry part. They could only gain power by a foreign policy which favoured the united interests of the ruling classes, or by skilfully playing off these factors against each other. The towns were always ready to assist the monarch when he was opposing the nobles or the Church.

The result of this was a consolidation of the State power, which eventually grew into absolute power.

Commodity production in the towns assisted the growth of the monetary system, and provided opportunities for the imposition of money taxes. As soon as the princes had large sums of money at their disposal, they were able to enlist the services of warriors and officials for regular cash payments. Such soldiers and officials were bound to their masters by ties of economic dependence which were quite different from the ties which bound the warriors and administrators of the Middle Ages. The latter had control of landed property, from which they derived an income through their own administrative activity, without any assistance from the prince. The prince had nothing more to give them after he had rewarded them with their property, except additional property which had been taken from another.

On the other hand, under the monetary system, the State officials and soldiers were left stranded as soon as their monthly salaries were no longer forthcoming.

If the armed soldiers could sometimes assist themselves by means of mutiny, this resource was denied the unarmed State officials. Their situation was marked by utter dependence upon the petty princes.

To increase their standing army and their body of officials now became one of the most important tasks of the monarchs. The more they succeeded in carrying out this task, the more the old forms of local administration, ecclesiastical, feudal, and municipal, decayed. The ecclesiastical hierarchy was now incorporated into the State bureaucracy, which abolished municipal liberties. While the feudal lords continued to draw their incomes from their estates, the protective, administrative, and juridical duties, which they were formerly obliged to perform in return, lapsed, and were taken over by the paid armies and the State bureaucrats.

Thus an enormous bureaucratic machine was eventually created. In alliance with the standing armies, it drew the teeth of resistance to the State power for a long period, and created monarchical absolutism. The latter was at times so strong that it appeared to be independent of all classes and to dominate them all. In reality, under absolutism there governed that section of the upper classes which gained influence over the monarch and his ministers at Court—the Court nobility, the Court clergy, the financial magnates, who as tax-farmers and even more as money-lenders became supremely important to the State.

Nevertheless, even very wise people have often mistaken the appearance for the reality, and assigned to what they regarded as the State, that is, the bureaucracy which seemed to be raised above all classes, the task of representing and enforcing the common social interest, eternal justice, or other postulates of a morality independent of space and time, against the particular interests of the separate classes.

Not every modern State is characterized by this type of bureaucracy. In the Anglo-Saxon world the monarchy lacked the support of an army to crush opposition. There absolutism and the omnipotence of the bureaucracy could not be enforced. The aristocratic local government remained in existence there until it could be replaced by a democratic bureaucracy, without passing through the intermediate stage of a powerful bureaucracy.

Of course, a bureaucracy also exists in England. Without it no great modern organization, and therefore no modern State, could be developed. But it remained for a long time without the range and the attributes of the Continental bureaucracies.

The latter formed a privileged association, the representatives of the State authority, before which every simple citizen in the State had to bow—except, of course, the regents of the State themselves and their friends. To enforce obedience is the first task of the State bureaucracy. It seeks to attain this end by means of the immense superiority which the State possesses when confronting an individual. Its home policy is a policy of coercion, even where it exercises economic functions. It has to raise the gigantic sums of money which the State apparatus costs. Its means are not only the levying of taxes and duties, but also the administration of the fiscal undertakings. These are generally monopolies, which forcibly suppress all competition and fix selling prices at their pleasure.

As the State bureaucrat must enforce obedience, so he must render blind obedience himself. It is not his own will, but that of his supreme master, which he has to execute unquestioningly in the manner assigned to him. He must have no will of his own, or at least not reveal any. Independent thought is a danger to officials, and is therefore to be avoided as much as possible. It is to a great extent rendered superfluous, inasmuch as in normal times the political conditions alter but little, and the same processes are generally repeated in the State administration. What deviates from routine is too insignificant to be regarded. The engine of the State power passes right over it. If despite this a deviation from routine is required, numerous superior authorities must first be consulted before it can be sanctioned. After routine and ossification, clumsiness is one of the most striking features of the State bureaucracy.

The bureaucracy which capitalism has created for its ends is moulded on a different pattern.

It coincides with the State bureaucracy, and is distinguished from a trade union or co-operative bureaucracy by virtue of the fact that it does not have to watch the interests of the members of the community which it administers—in the one case citizens, in the other wage-workers—but has to represent the interest of a master who is over and above the members—in one case the monarch, in the other case the capitalist. But its power over the individual is not so great in the capitalist business as in the State: the officials of capital cannot practise coercion as easily as the State officials.

Moreover, the officials of capital are not merely active in the process of production; they are also and chiefly active in the circulation process, where a policy of coercion is generally futile. Here the separate businesses are on a footing of equality; here the economic laws prove stronger than personal idiosyncrasies; here situations and conditions change rapidly; here superior knowledge, skill, and rapid powers of decision carry the day. In this sphere the blind obedience of officials to their superiors and their red tape instructions are of no use. Of course, the capitalist as well as the minister must ensure that all his officials do their duty and are animated by a feeling of responsibility towards and interest in the undertaking, but independence on the part of a subordinate is not a danger, rather an advantage, to the capitalist manager. The capitalist seeks to provide for the efficient conduct of his business rather by the careful selection of the servants he employs than by prescribing a rigid code of instructions for his officials.

Now in the sphere of the State the personal qualities of the officials find very little scope for employment. This is prevented by the enormous extent of the State machine. The State is therefore obliged to select its servants through the mechanical agency of examinations. Whatever personal selection is exercised beyond this is almost entirely the rapid promotion of protected persons, and is chiefly the selection of incapable, not of capable, individuals.

The average official is promoted to a higher position according to seniority. Thus, apart from the exceptions above mentioned, the higher posts are almost exclusively occupied by old gentlemen, tired, used-up, and rendered inaccessible to all new ideas by their eternal routine tasks.

In this respect State bureaucracy differs, very much to its detriment, from capitalist bureaucracy. They differ from each other very much as the armies of the first French Republic and of Napoleon's early career differed from those of the military powers which they fought. The former owed their successes not least to the circumstance that their generals were almost all young men, while the opposing armies were commanded by very old gentlemen.

In addition, salaries are strictly classified in the State bureaucracy, in conformity with the other routine practices. There is neither a share in the increased profits of State undertakings, nor an increased salary for eminent services.

In this request the capitalist business is much more elastic, and for any case that arises it may fix any kind and amount of remuneration which promises the best economic success. We have already referred to the fact that the mass of surplus value which has accumulated in capitalist hands has enormously increased. Consequently, the great capitalists are in a position to expend extraordinarily high sums for eminent services in various provinces which either meet with their approval or promote their interests, as, for example, upon horse-racing, orchids, as well as for artistic performances, singers, painters, and others.

As they are often prepared to expend millions upon senseless luxuries, they do not spare money when their health or their profits are in question. They frequently spend huge sums upon a famous doctor, from whom they expect health. Similarly, they will spend money for the services of an eminent organizer.

Dr. Beck draws the real distinction between the technical expert and the organizer.

" Men may become technical experts through study, but the organizer is always born, not made."

Great organizers are as rare as great artists. For the large business they are all the more indispensable, the more extensive the undertaking, and the more various and intricate its ramifications into the total economic processes of society.

This fact has long been recognized by capital, and consequently the separate businesses seek to attract qualified organizers by offering them enormous advantages and great freedom of movement.

The State bureaucracy requires eminent organizers not less than the capitalist, but rather more so. But it offers them neither freedom of movement nor extraordinary advantages. So long as capitalist industry and world intercourse remained undeveloped, the service of the State offered to adolescent intelligence the best chance to attain to an eminent economic and social position. Many men of outstanding intellectual powers flocked to the State, who might have found scope in the spheres of organization and administration. With the development of large-scale industry and world intercourse, this contingent became smaller and smaller, and the State bureaucracy was impoverished of just those forces which it most urgently needed, as it could no longer maintain competition with capital for the services of the organizer.

Now a socialized undertaking will be obliged to embark upon this competition with capital. It will not be able to thrive without competent organizers, and must offer them at least the same advantages as the capitalist business.

For this reason it is impossible to give effect to the demand put forward by Marx, and adopted by Lenin, that nobody employed in the State service should receive a salary in excess of workers' wages. This principle may be in harmony with Labour sensibilities and our socialist conceptions, but it is incompatible with economic requirements, which always enforce themselves. We shall do

well to recognize this fact from the start and allow it to guide our actions, instead of becoming wise after bitter experience.

In a completely socialist society, where the socialized undertakings have no longer to compete with capital, the great organizers will find no other fields of activity than the service of society. Then they will be obliged to reconcile themselves to receiving no better pay than other intellectuals. Despite this, striking achievements will not be a thing of the past, either in art or in science or in the sphere of organization. The inner urge, ambition, delight in power and reputation will be sufficient incentives to such achievements.

But this will not apply to the period of transition from capitalist to socialist production. As long as capital is in a position to produce surplus value, it will try to attract great organizers by offering them important advantages, and thereby attain to a position of superiority over all undertakings that are not able to offer equal inducements.

To all the above causes of the superiority of capitalist bureaucracy to State bureaucracy must be added the circumstance that the latter forms the largest and most firmly knit body in society. As a result the State bureaucracy of all social bodies exhibits the greatest inertia in the settlement of questions, except where its own interest has not impelled it to offer opposition.

Moreover, the State is not only the most comprehensive and important, but also the longest lived of all social organizations. Like everything else it is mortal, but it is immortal in comparison with the individual. Consequently the State official is a servant of the State for life, and is chained to the same vocation for his lifetime. In contrast, a capitalist undertaking, however extensive it may become, is small, frequently short-lived, and generally liable to rapid changes in its character. Its employees and even its lower officials are not permanently attached to it, nor it to them. The effect of this, in conjunction

with the other peculiarities of the capitalist business, is that the undertaking is as free to select the most suitable among its workers, as it is free to adapt itself to changing conditions and to enforce the strictest economy, which is one of the conditions of its existence.

The State bureaucracy, on the other hand, is clumsy, uneconomical, without means for selecting the most suitable persons for particular functions, and therefore extremely conservative. This bureaucracy has proved to be the greatest obstacle to progress during the last two centuries. It has survived numerous revolutions, from each of which it has emerged stronger than ever, even when they swept away monarchies, aristocracies, and State Churches.

If the modern State power has so little altered in its essence during the last two centuries, in spite of the progress of democracy, that it moves us to say of it, *Plus ça change, plus c'est la même chose,* the explanation of it is to be sought in the bureaucracy.

And this is to be the power which will accomplish the Social Revolution and emancipate the workers!

Since the coming of absolutism and the police State, the people on the Continent have grown so accustomed to expect the redress of all grievances from the supreme authorities, and to hold the Government responsible for all evils, as well as expecting brilliant achievements from them, that the idea of a bureaucratic nationalization of the whole of production holds no terrors for many.

Even those among us who oppose this idea do not consider it necessary to assert the contrary view with any great energy. Thus it was possible for the Russian Soviet State, which nationalized the whole of production and subjected it to an omnipotent, strictly centralized bureaucracy, which abolished every independent organization in the State—for such a State to be erected by Socialists, and regarded by other Socialists as a higher mode of production and a means for the emancipation of the workers.

In Anglo-Saxon countries the State bureaucracy has

never played the same part as on the Continent, and there the masses have never depended upon the bureaucracy, viewing it rather with an instinctive mistrust. It is true that Socialism, in the shape of Owenism and Chartism, became a practical force in England earlier than elsewhere. But when Chartism collapsed in 1848, and when the Labour movement revived in the sixties of the last century, the workers threw all their energies into the development of their voluntary organizations, the co-operative societies, and above all the trade unions. On the other hand, their enthusiasm could not be aroused by the forms of Socialism which were then transplanted from the Continent, and which seemed to them to bear a strong impress of State Socialism.

The repugnance to the State bureaucracy was not a little responsible for the fact that Modern Socialism found it so difficult to strike root in England. The English masses will be won over all the sooner the more clearly we realize that the State bureaucracy is not an economic apparatus, but merely an apparatus of government, and that it will be incumbent on us to supplant it alike in the economic and in the political sphere.

What we have to advocate is the socialization of the means of production, which signifies that the State will own the most important of them, but does not imply the conduct of these undertakings by the State bureaucracy.

Against this the workers must set their faces, for Socialism should bring freedom and not servitude. Where State services are already in existence, we must ensure that, while remaining State property, they are withdrawn from the State bureaucracy. So long as we are without a Socialist majority in Parliament, and therefore without a Socialist Government, this is the only aspect of socialization which we shall be able to enforce. It is by no means insignificant. The sooner we succeed in placing the State services on a sound basis, which will provide satisfactory conditions both for workers and for consumers, the easier will it be to extend socialization to other undertakings and

branches of industry. It is arguable whether it is right and proper to concede to State officials, who are the representatives of the State authority, the right to strike. This right is assuredly in complete contradiction to the history and the nature of the State bureaucracy. But the more decisively we may repudiate their right to strike, the more necessary will it be to restrict the designation of State officials to those elements that are actually nothing but the representatives and coadjutors of government. It would be utterly absurd to subject engine drivers to the same discipline as policemen or Customs officials. Those who may be engaged in the economic services of the State should have at least the same rights as other workers possess as against their employers. In the interest of the workers themselves, we must condemn and oppose every frivolous strike. We are justified in demanding that workers engaged in vital services should never take action on their own account, but always in agreement with the whole of the organized workers. But we must offer energetic opposition to the notion of making workers State officials and depriving them of their right to defend themselves against an unsympathetic superior bureaucracy.

But does not State service carry with it certain material advantages, corresponding to the greater obligations of the workers concerned, such as security of existence, care of the family after the bread-winner's death, and the like ? Those workers who are in State service ought not to lose these advantages. But we advocate them for all workers, whatever may be the nature of their employment. And they should be assured to each citizen by society and not by the undertaking which employs him. All welfare institutions for the workers are changed from a benefit into an oppressive burden when they are undertaken by the business which employs them, and become a means of attaching them to such business. Let us therefore have no bureaucracy in the State services.

Socialism is to grow out of capitalism. It is to be organized upon the basis of the experience acquired by the

economic organizations which the capitalist epoch has brought into existence, the economic organizations of the wage-earners, trade unions, and co-operative societies, and the economic organizations of capital.

Socialism is not to grow out of the governmental apparatus which eighteenth-century absolutism created, nor even out of the branches which it created for the extraction of surplus value, that is, its fiscal services.

VII

PRIVATE INITIATIVE

The question of private initiative is closely bound up with the question of bureaucracy.

The opponents of socialist production apprehend that it will deaden the incentive to labour and the incentive to effect improvements in production, the industry of the workers, and the initiative of the *entrepreneur*.

We need not discuss in any detail the first objection, the anticipated weakening of the incentive to labour. It would be worthy of consideration if Socialism were pledged to the division of the social product on the principle of " to each according to his needs," or on the basis of equality. In our chapter upon the question of division, we have seen how little this is the case. Whatever methods of remuneration are adopted in the socialized undertakings will depend entirely upon the requirements of production.

Socialism will have the option of applying all the methods of remuneration which capitalism has invented. Their effectiveness will be strengthened rather than weakened when the workers co-operate in the management and organization of their industry, and when the results of increased productivity benefit partly the workers engaged in the undertaking and partly the community, but in no case capital.

But how is the initiative of the *entrepreneur* affected? The initiative of the private capitalist will now have ceased. Will not this signify an irreplaceable loss for the community?

Let us see.

Here again we must distinguish between the process of production and the process of circulation.

In the process of production the initiative of the *entrepreneur* signifies his initiative in the employment of new inventions and discoveries, in the introduction of new machines, processes, raw materials, and the like.

Each of such innovations under certain circumstances involves a risk which is often very considerable. In theory or in detail they may possess an attractive appearance, and yet they may prove a disappointment when applied on a large scale. Even the most brilliant invention is seldom perfect at its first practical application. With its introduction there sets in a continuous process of improvement, and the persons who first installed a new machine are often compelled to watch while it rapidly becomes obsolete and superseded, and those persons who were at first hostile to the innovation derive the benefit from it later, the pioneer having only the expense of it without the profit.

Nevertheless, each innovation offers the prospect of increased gains, and therefore attracts bold *entrepreneurs* to take the risk. This kind of initiative has become extremely important from the historical standpoint. By virtue of it capitalist production has developed that colossal productivity and created that infinite abundance of wealth which has first made possible a new epoch of general prosperity, the epoch of Socialism.

Are we to renounce this source of fecundity? Will it not dry up if the *entrepreneur* is deprived of the prospect of securing increased profits from successful innovations? The official in the socialized undertaking will, it is true, have to bear the responsibility for every innovation, without, however, any prospect of profit for himself. He will, of course, shun all risk. Even if he were energetic enough to embark upon an expensive innovation, he would first have to obtain the sanction of his superior authorities. Now the larger a committee, the more numerous the hesitations which appear in its deliberations.

The socialized undertaking will therefore be devoid of initiative, and consequently the productivity of labour and general prosperity will increase more slowly after socialization than if capitalism had continued to exist undisturbed.

This objection is not to be dismissed off-hand. It is not weakened by a reference to the phenomenon of joint stock companies. In most of these, control is not exercised by the shareholders, but by one or another financial magnate.

Herein consists a disadvantage of the socialized undertaking as compared with a business owned and managed by a capitalist. But this disadvantage would only obtain so long as only a single business were socialized, and this would not be the rule with a policy of socialization. The most appropriate method of enforcing socialization is to ensure that each of its acts, instead of affecting one particular business, should affect an entire branch of industry, the whole of the businesses which it comprises. In this case, nothing would be simpler or easier than to set apart a particular business, which is specially suitable and equipped for the purpose, to serve as a place for investigations and experiments. All suggested improvements would be referred to it for testing purposes.

The entire organization of these works would operate as an incentive to seek out improvements; not merely to test, apply, and improve inventions, but to introduce them. The introduction of innovations would no longer involve risks for the other businesses of this type, and as the expense of testing them would not fall on one business alone, but would be distributed as an equal burden over all the undertakings, the cost would be reduced to a minimum so far as each business was concerned.

Private initiative would thus be abolished, and at the same time rendered unnecessary. Inventions and their application would cease to be an individual act, and consequently to a large extent a matter of chance. They would be a systematically controlled and effectively organized social activity.

What is the scope of private initiative in the circulation process, in buying and selling? This is the peculiar field of the capitalist. He is a merchant before he is an engineer, and remains a merchant under all circumstances, whereas he is an engineer only under certain conditions. There are many capitalists who are merely merchants. There is no industrial capitalist who is not also a merchant, and in this capacity he has to function before everything else. Once it has been properly organized, the business may be carried on in the factory for a long time without the intervention of any further capitalist initiative. The market, on the other hand, is subject to ceaseless, often immense, changes. It must be constantly observed and appraised, and new decisions must be taken at every moment in accordance with its fluctuating state. These may prove beneficial or disastrous.

Before the advent of industrial capital, the profit of the merchant could only be derived from buying the same commodity cheap and selling it dear, which is not possible without violating the law of value. He was obliged either to buy it below its value or sell it above its value. This alters as soon as the capitalist becomes an industrialist, and diverts his capital from the process of production to the process of circulation. He does not now buy commodities, like a mere merchant, in order to sell them, but he buys commodities—raw materials, machines, labour-power—in order to produce out of and through them a new commodity which conceals surplus value. He can now secure a profit, even when he purchases commodities at their full value and does not sell them above their value.

But buying and selling will always be an important affair for the capitalists, as market prices almost never coincide with values, that is with production prices. While values only change slowly with the conditions of production, prices often fluctuate from day to day.

If the capitalist fails to interpret the signs of the market, and pays high prices for his raw materials in times of

scarcity, expecting that they will rise still higher, whereas he is eventually obliged to sell his products in a falling market, because he has made a bad speculation, he may lose the whole of the profit which he ought to have derived from the surplus value which his business would have yielded had the purchase and sale of commodities been effected at their production prices.

The market provides scope for the capitalist's most exciting activity. It offers him the greatest prospects of large and quick profits, and at the same time the greatest dangers of utter ruin. Here the resolute, but also cool and expert, initiative of the *entrepreneur* is not only a condition of progress, but a condition of life itself.

It is true that the importance of mercantile initiative for the progress of mankind is now considerably less than it was in former times. For a thousand years, before the advent of industrial capitalism and before modern technical conditions had transformed production, the merchant was one of the strongest of the progressive factors. We have observed above that, prior to the production of surplus value by industrial capital, the merchant could only derive his profit by buying commodities below their value and selling them above their value. This was difficult of attainment when the buying and selling took place in the same market. The merchant was obliged to look for commodities in localities where their value was low and dispose of them where their value was high. This urged him to a constant search for new markets both for buying and selling, often at the risk of his life. At a time when the mass of the population, peasants as well as handicraftsmen, were attached to the soil, the merchant fulfilled the functions of an explorer, and continuously widened the horizons of mankind.

The development of industrial capitalism rendered this function of the merchant and his personal initiative superfluous.

On the one hand, it creates such an abundance of personal and technical energy that scientific investigation and the

interests of sport are to-day able to grapple successfully with problems quite different from those of former centuries. We may leave them to discover what territory is still unknown.

On the other hand, the merchant's interest in this territory dwindles as industrial capital develops. Successful trading will now be done, not with unknown districts, but districts which are completely opened up and highly industrialized.

Although the discovery of new territory is no longer of much economic importance, the opening up of remote countries to the world market still plays an important part. But now that railways have to be built, Government action is necessary. The initiative of adventurous merchants no longer suffices.

Yet for the development and maintenance of the individual business, the mercantile initiative of the capitalist still remains indispensable—indispensable for the business. Society, however, will be able to dispense with it in the degree that production is systematically regulated.

It is only the uncertainty of our economic conditions that renders the initiative, or in other words, the speculation, of the merchant indispensable. The greater the uncertainty, the greater the necessity to speculate, the more the other and more useful functions of capital are overshadowed by pure speculation upon the rise and fall of prices, which is unavoidable so long as these conditions exist.

In a society based on commodity production every business, even the most solid, depends upon a forecast of coming prices, and therefore upon speculation. Every attempt to restrict speculation injures genuine business more than it hits speculation.

Consequently all attempts to suppress speculation upon the basis of continued commodity production have failed. The more uncertain the social conditions, the more speculation flourishes. And thus we have the paradoxical phenomenon that it flourishes not only in war-time, but in

times of revolution, at the precise moment when the opponents of capitalism had acquired the greatest power and were attacking it with the greatest energy, alike under the terrorism of the French Revolution and that of the present Russian Revolution. While it has ruined industrial capital, the Russian Revolution has not been able to prevent the continuance of small private undertakings, especially in agriculture, and consequently a large measure of commodity production and commodity circulation.

In the case of both revolutions, terrorism was chiefly aimed at the speculators, and sought to abolish speculation by the ruthless execution of all *agioteurs*, as they were called in 1793, and all profiteers. But in the France of 1793, as in Russia recently, terrorism has not effected the restriction of speculation ; it has merely made it more expensive for the State and for the speculators themselves. The State is obliged to bear the expense of an ever-growing police apparatus, while the speculators have to bear the expense of bribing and corrupting the authorities.

On the other hand, even the death penalty does not deter speculators, because in times of general unrest and stagnation profiteering becomes the only source of livelihood for many declassed persons. It becomes almost the sole means of employing capital, for the greater the insecurity of conditions the more those forms of capital outlay are avoided which involve slow returns, as the remote future is utterly incalculable.

The chief constituent part of massive industrial capital, such as buildings and machines, requires a long time in order to be turned over. The most rapid turnover is effected by capital employed in short-term speculations and contracts.

Thus the proletarian phases of the Middle Class Revolution have only availed to decimate the most useful forms of capital—those that assist the development of the productive forces, while the parasitic forms of capital are enormously developed.

As long as commodity circulation and capital exist, there will be speculation. The greater the insecurity of the conditions the more speculation there will be. While capitalism continues to exist, it will not be possible to reduce the magnitude of speculation by force; this can only be effected by the stabilization of political and economic conditions, soonest of all through an era of prosperity, accompanied by the rule of democracy and its methods, not by civil war, starvation, and dictatorship.

But speculation will not vanish completely until capitalism itself disappears. As long as production for the market obtains, every business, whether it be socialized or still conducted on capitalist lines, will be obliged to take account of and to utilize the changing conditions of the market, and therefore to speculate to this extent. In this province, the initiative of a personal owner is superior to that of a bureaucratically managed business.

This does not imply that socialization would be disadvantageous or impossible; it only means that this circumstance must be taken into account in determining the forms and kinds of socialization.

There are branches of industry in which market fluctuations play a very small part, branches whose products or services present little variation, while there is no greater variation as regards the consumption of these products or services. Such branches of industry are always sure of their market, as they have to satisfy vital necessities, while their undertakings are few in number, easy to supervise and bring under a uniform control, either because they form natural monopolies or because they have become artificial monopolies in consequence of the concentration of capital or legal compulsion.

Branches of business of this type are largely independent of the market. So far as they still offer a wide scope for speculation, this is not due to the fact that they are dominated by the market, but because they have become powerful enough to dominate the market. This kind of speculation is the least uncertain and the most lucrative;

it does not, however, correspond to any economic necessity, but springs from definite conditions of power. It is not a result, but a cause of economic uncertainty.

To deprive the masters of these branches of business, the great magnates of capital, of private initiative, connotes an act of liberation not merely for the workers, but for the whole of society.

It is therefore with these branches of industry that socialization activity will have to begin. Their socialization is not only urgently necessary, but presents the smallest number of difficulties.

On the other hand, the difficulties of socialization will be multiplied in the case of branches of industry which cater for the demands of luxury, which comprise numerous and varied undertakings, and which serve the needs of consumers with personal and fluctuating requirements.

Many of these branches of industry will have to undergo fundamental changes before their socialization can become a practical question.

Yet it may be anticipated that socialization will become easier with every step that is taken in this direction. The progress of socialization will involve an extension of our experiences in this sphere, and deepen the influence of the socialized, systematically regulated portion of social economy upon the whole.

We have pointed out that socialization will have to begin with branches of industry which have become private monopolies to such an extent that they are enabled to dominate the market, instead of being dominated by it.

The more such branches of industry as coal, iron, and railways are socialized and combined to form an economic unity, the greater will be their influence upon the market; the more they will tend to fix the production of other branches of industry; the more they will adjust the fluctuations of market conditions; and the greater the degree of steadiness they will impart to the pace of the economic life. In the same degree the initiative of the private capitalist in the circulation process will become

more and more unnecessary. Where it does not continue to play a decisive part in the process of production, as in some artistic trades, socialization will be applied with ever greater facility even to the more diversified branches of production, and will eventually become possible in spheres that now appear to be quite inaccessible. But in such provinces it will only become possible after the requisite conditions have been created by a long process of development. To commence the application of socialization at the right end is the most important task of the Socialist parties in the domain of economics as soon as they achieve political power. It would be disastrous if they commenced to socialize everywhere at once, and not less disastrous if they began at the wrong end, as, for instance, in agriculture.

If socialization be restricted to the proper dimensions and pace, and introduced at the proper starting-point, it will only be a question of power and a question of the near future in highly developed capitalist States such as Germany or England.

There are Socialists who believe that the psychical conditions of Socialism are not yet in existence, inasmuch as they presuppose a high communal sense to which the workers have not yet attained.

Assuredly a stronger communal sense would be very useful to-day. But if the commencement of socialization depended upon it, socialization would be in a bad way. For we know full well that the economic development not only concentrates capital more and more, but also more and more deepens the antagonism between Capital and Labour, and makes the workers ever more intelligent and powerful. But we have no indications regarding the growth of their communal sense. The class struggle certainly creates a strong feeling of solidarity amongst the workers themselves. But it is exposed to the constant danger of degenerating into a vocational consciousness, and assuming the form of guild solidarity. We must not forget that the idealism of the workers has hitherto been

kindled less by the economic struggle against capital than by the political struggle for the great object of renewing the life of the State. The absence of political struggles under democratic institutions is detrimental to the growth of a communal sense in a middle class society. The greatest idealism during the last few decades has been exhibited by the Russian, the least by the American, workers.

We should not forget that the workers to-day are unable to escape entirely from the influence of capitalist modes of thought, which penetrate the whole of society, and through which the effects of the class struggle are to a large extent neutralized.

This need not, however, discourage us. It is only an incentive to organize socialization in such a way that it will be able to function without a proper communal sense, while encouraging the growth of the latter. We must give socialization forms that will appeal to personal interest, not merely financial interest, but interest in greater power and freedom. Socialization must be organized in such a way that all who are engaged in the socialized undertakings will have an interest in their prosperity, so that they will gladly and zealously perform their duties. In this respect we shall have to test the wage methods in the socialized undertakings, as well as the position to be accorded the managers of such undertakings. Although initiative on the part of the management will become increasingly superfluous with the progress of socialization, there must always be an interest in the successful continuance of production, if socialist production is to achieve more than capitalist production, and to be adequate to its great tasks.

Consequently, there must be the greatest possible freedom of management, no hesitation about paying extraordinary remuneration if this is the only way to secure the services of capable organizers.

The workers and the management of each undertaking should share in any surplus product which arises from their special efforts, and not from natural or social factors.

VIII

THE FORMS OF SOCIALIZATION

(*a*) Socialization and Social Reform.

Socialization will have to proceed gradually, probably too slowly for the patience of the workers. It will not be able to effect a considerable immediate improvement in the wages of even the workers in the socialized undertakings.

The activities of Governments and Parliaments, after the workers have captured political power, will not therefore be confined to socialization. Measures will have to be adopted which will benefit not single groups of workers, but the whole of the poorer population, and visibly change their condition. The wealthier the society is, the higher the incomes which the capitalist class derives from the productivity of labour, the more drastic these measures will be, and all the heavier will be the burden of taxation which the State and the municipalities will be able to impose upon the possessing classes, in order to extend the scope of the social services.

It will be incumbent on us to create an adequate social health service, both preventive and remedial; to extend the educational system and transfer the cost of feeding and clothing the school children to the community.

The old people as well as the unfit must be properly cared for, and provision must be made for the unemployed which should be productive rather than a drag upon the rest of the community.

Finally, the State must grapple with the housing question, and commence the construction of cheap, healthy, and pleasant dwellings.

Provided they were energetically prosecuted, all these

measures would inevitably effect a considerable improvement in the position of the masses, and remove the worst causes of moral degradation and intellectual backwardness. Add to them an ample training of the masses by the Socialist Party, the trade unions, and the works' councils, and the result will be considerably to elevate the workers, to increase their capabilities for industrial self-government, to heighten their feelings of obligation towards national and municipal institutions, to increase their interest in the socialist regime, and to facilitate socialization. At the same time, these measures would curb the impatience of the masses, and enable socialization to be applied without undue haste.

When we say that socialization will necessarily be a slow process, we do not mean that the socialist regime will be lax, or will only proceed at a snail's pace.

Apart from socialization, it will find to hand an abundance of other important problems—we have here only indicated a few of them—which could be solved on a capitalist basis, without any socialization. Failure to solve such problems is not due to the economic conditions, but to the distribution of power in the State, and such problems should prove easy of solution as soon as this distribution of power is fundamentally altered in favour of the workers.

These reforms would have an important social significance. Although they would not abolish the antagonism between Capital and Labour, they would increase the power and intelligence of the workers, who would be more anxious than before to replace capitalist autocracy by industrial democracy.

Not until the socialized type of undertaking has become the dominant type in the process of production will society have found a basis upon which it will be able to develop its life without great class struggles.

(*b*) The Starting-Point of Socialization.

We have seen that socialization will have to begin with definite branches of industry. Each country has a special

economic structure, corresponding to the peculiarities of its soil and its history. Thus the starting-point of socialization will not be the same in every country. In Switzerland, for example, one could not commence with the coal-mines, because none exists there.

In all capitalist countries alike there is one great branch of industry, which represents a great social monopoly, is essential to the whole life of the community, and does not offer any special difficulties in its management: the railways.

In many States they are already nationalized. In such cases socialization would not make any change in the ownership, but only in the organization. State railways are everywhere managed by the State bureaucracy. In socializing the railways, the object will be to make their management independent of the State bureaucracy, to invest them with the self-governing attributes of an industrial democracy, which would administer the State property at the behest and according to the ordinances of the State.

In countries where the railways are not yet nationalized, the task of their reorganization will of course be bound up with their transformation from private into State property.

Where coal-mines exist, they will form the second starting-point of socialization. As the number of State mines is small, the socialization of the coal-mines involves in most cases the question of property as well as the question of organization.

Coal and railways will certainly form the starting-point of socialization in the two States where the rule of Labour is nearest at hand—England and Germany. The most stubborn and decisive struggles will be fought out over these questions. A State power which controls these two strategic positions would possess the key to the domination of the whole process of production.

The State is not the appointed instrument of socialization in all branches of industry, although it has to create, by means of legislation, the foundation and the opportunities

for socialization in all its manifestations. The constant aim of socialization is to replace production for profit by production for social requirements. In other words, those for whose needs production is carried on are to become the owners of the means of production. But the latter will not always be co-extensive with the inhabitants of the State. Many branches of production or of communications serve narrow local ends. Their consumers form a much narrower circle than that of the State. In this case it would be quite purposeless to nationalize the means of production or of communication. Municipal ownership and management is the proper solution of the problem.

Generally speaking, much greater progress has been made in the transfer of local monopolies to municipal management than in the nationalization of the great monopolies which dominate the whole country. The supply of water, gas, and electricity, and the roads have mostly been municipalized. In this connection our duty will be to replace bureaucratic autocracy by a type of management which would accord a wide measure of self-government to the workers, without losing sight of the consumers' interest or creating a Labour aristocracy of the municipal workers.

Those municipalities which have Socialist majorities would of course endeavour to extend the range of municipal businesses which operate for urban consumption. In this connection they should not confine their efforts to businesses that are monopolies.

The bakers, for example, enjoy no such position : they maintain a strong competition against each other, and the private initiative of the *entrepreneur* still plays a great part in their circulation process.

Only, however, on account of this competition, which would cease of itself, if the municipality undertook the baking of bread. In the absence of competition the selling of bread would not require any special initiative. Bread is not subject to changing fashions, or individual selection

and adaptation, and its market is steadier than that for other commodities. Considerable cost is involved by sending the bread from each bakery throughout a large town which contains a number of bakeries. If all the bakeries were under one control, each one would have allotted to it a special district, that which lay nearest it. This would considerably reduce the expenses of distribution, and enable the price of the loaf to be reduced and the wages of the bakers and their working conditions to be improved.

After the bread question, the question of housing would occupy a large share of the attention of socialist municipalities, which would have to take in hand immediately the improvement of the housing conditions of the whole of the poorer population. This would necessitate drastic alterations in legislation, but the chief part of the work would devolve upon municipalities, which would construct dwellings either by direct labour or through building co-operative societies. This would involve the nationalization or municipalization of building materials.

Yet a third type of production for needs is possible. The consumers of one or several articles could co-operate in order to acquire their own workshops, where production would be carried on for the needs of the association. Such establishments as these would only bear a socialist character if they were founded by wage-earners.

This brings us to the question of the workers' co-operative societies. At the outset, their sole object is to remove the disadvantages of the parasitic middle-man so far as the working-class consumer is concerned, by purchasing direct from the producers and selling at net costs, adding something, of course, for administration and risks. But when the association becomes large enough, and especially when the local societies of a country are combined in a wholesale co-operative society, the latter may itself proceed to manufacture some of the commodities it handles.

It may be said that the co-operative society represents a Socialistic system of production, inasmuch as it does not

produce for the market, but for the needs of its members, while, instead of aiming at profit, it offers its workers the best conditions that are compatible with the vitality of the undertaking under existing conditions.

The production carried on by the Co-operative Movement may become very extensive even before the workers have captured political power, as the case of England shows.

It will, however, be confined to a few branches of industry which directly produce for the personal consumption of the masses. Only a very few commodities which are destined for the personal consumption of the masses, and of these commodities mostly their finishing stages, fall within the scope of co-operative production. The production of the means of production remains practically impossible for it to attempt, and yet this type of production, with the progressive division of labour, tends to comprise the greatest part of social production and forms the proper province of large-scale industry, and thus the principal driving force of Socialism. The production of the Co-operative Movement will always appear very modest in comparison with the socialization to be enforced by the State and municipality.

Nevertheless, the productive activities of the co-operative societies may become very important, not merely as a pattern, but also through their economic and social effects upon many sections of workers. They will perhaps become even more important in primitive, agrarian districts than in the great industrial States. In the latter, the peasants and wage-earners are usually divided by powerful antagonisms. There the agricultural co-operative societies are of quite a different character from the proletarian societies. We find a different state of affairs in Russia, in the Balkan States, and in Caucasia; and China and India may develop on the same lines. In these countries industrial workers and peasants are still close together, and have recently waged great revolutionary struggles in the closest comradeship. It is true that the foolish coercion of Bolshevism has done everything possible to alienate the Russian

peasants from the Labour Revolution, but even now the cleavage between the workers and peasants is not unbridgeable.

It is possible that the co-operative societies of the urban workers will secure a footing in the villages, and thus the enormous purchasing power of the whole agricultural population will to a large extent be put at the disposal of these societies. This will afford a much wider and stronger basis for the productive activities of the co-operative societies in these lands than is the case in the old industrial States.

The co-operative societies will become the most important, although not the only consumers' organizations, which aim at producing for their own consumption. But man does not live by bread alone, but by every word that proceedeth from the mouth of God, in the words of the Bible. He does not merely need bread, fish, soap, boots, and the other commodities supplied by the co-operative societies; he also requires intellectual nourishment, and he will refuse to allow this to be prescribed and prepared by the authorities. Nothing more plainly reveals the cultural sterility of Bolshevism than the fact that it has rendered impossible in the Russian Empire any publishing agencies other than the State Publishing Department. In spite of all its coquetting with modern art and literature, Bolshevism has thereby proved to be the most formidable means for the stupefaction of the masses since the days of the worst fanaticism of the Christian and Mohammedan faith, in which the vestiges of the old Hellenic culture were extinguished.

Under a civilized Labour regime the reading public would resent the idea of any police supervision of its literature.

Any attempt to oust the capitalist publisher in literature could only be successful if he were replaced by the free organization of consumers. There are already organizations which publish periodicals, newspapers, and books, not in order to realize a profit, but in order to satisfy the needs of their members. The trade unions have their

technical journals, as also the associations of doctors, engineers, etc. Nor are the newspapers of the Social Democratic Parties business institutions. Every other organization will have the option of publishing for the needs of its members and friends.

State and municipal publishing departments would be able to publish works which serve State or municipal purposes, national or municipal statistics, legal codes, school-books, or works whose value has been recognized by everybody—the so-called classics.

It is plain that socialization may start from the most various points, and for this reason assume the most various forms. Nothing could be more fallacious than the belief in a process of socialization which can be set in motion from above at one stroke, and would transform the whole of society into a single large barracks, or, as Lenin said, a single great factory. The starting-points and forms of socialization will be as infinitely varied as modern social life, and they will succeed and thrive all the better, the less occasion there is for bureaucratic intervention.

The periods at which socialization will be applied will differ as much as its starting-points and its forms. It is true that its enforcement by consumers' organizations and municipalities depends upon legislation. But where the State contains a number of democratic institutions, co-operative societies and municipalities have sufficient scope, given the existence of a developed Labour movement, to enforce socialization at least in some provinces before the capture of the State power by the workers.

It is noteworthy that in this respect the capital does not set an example to the other towns. In this we may perceive a further distinction between the Middle Class and the Labour Revolution. In the Middle Class Revolution, the capital seized the initiative and gave the movement its tone. The English Revolution against Charles I would not have triumphed without London. What Paris signified for the Revolution from 1789 onwards is well known. In the year 1848 it was Paris, Vienna, and Berlin

which determined the fate of the Revolution. In addition, the Russian Revolutions of 1905 and 1917, to a large extent middle class in their character, were carried out by St. Petersburg and Moscow.

The case is otherwise with the Labour Revolution, for which the purely industrial districts are far more important than the great capitals, whose industries are to a great extent luxury trades, and in which are concentrated the bureaucracy of the nation. Thus, even in Chartist times, London remained far behind the industrial North of England in respect of Labour unity and resolution. Since 1871 Paris has ceased more and more to be a Socialist citadel. The present weakness of Socialism in France is to some extent due to the fact that the industrial north was destroyed in the war. And Berlin to-day is so far behind the industrial districts of Germany in socialist energy that its Socialist majority cannot make itself felt. Only Vienna constitutes an exception among the capitals in this respect.

In the industrial districts proper we obtain Socialist majorities the soonest, but here their effects are not a little hindered by the majority of their population being very poor. The masses of surplus value which they produce are mostly either accumulated or squandered in the capital.

We must not therefore expect great things from the activity of the co-operative societies and municipalities so long as a decisive Socialist majority does not exist in the State itself. But, however difficult this activity has hitherto been, and however slender its success, its importance lies in its resembling those first steps which are notoriously the most difficult. They achieve significance of the pioneer order by virtue of the experiences they gather, which will have a beneficial influence upon subsequent experiments on a larger scale. Moreover, they exercise an encouraging and propagandist effect by providing an object lesson in the superiority of socialistic management. In this respect, the attitude of the workers in such an undertaking is decisive. The best organization and man-

agement are useless unless the workers are capable of self-government.

If the workers engaged in municipal services exhibit such capabilities, these undertakings will give an irresistible impetus to the extension of socialization to other provinces.

(c) Productive Co-operation.

Apart from the experiments of small self-sufficing socialist communities or colonies, we find that the first form of socialization that is proposed is productive co-operation. A business is to be taken over by the workers it employs, who will organize it in their own way, draw up their own rules, and select their management. Here we find the most complete democracy of Labour. Here the workers control their own means of production and the whole product of their labour.

At one time, productive co-operation was regarded as the means to the emancipation of Labour. The Liberal friends of Labour were distinguished from the Socialists only by their method of establishing productive co-operation. The Liberals believed that the workers would be able to emancipate themselves if they were careful to save enough money to establish such co-operative associations. The Socialists recognized the absurdity of this expectation. They asserted that productive co-operation would only be effectual for the abolition of wage slavery provided it were established on a large scale with the aid of State resources, the means of production remaining State property, and the co-operative societies organizing production by means of extensive associations.

Upon this point all Socialists were united. They differed with regard to the methods of securing State assistance. Louis Blanc, who was an enthusiastic champion of the idea of productive co-operation, believed that the inauguration of the democratic Republic would alone suffice to secure the necessary State assistance to the workers. Lassalle, who adopted the idea from Louis Blanc, thought that universal suffrage, even under the Prussian military

monarchy, would induce the State power to assist the workers to achieve emancipation from the domination of capital.

Marx, on the other hand, regarded universal suffrage and the democratic Republic as necessary conditions for the emancipation of the workers. But it seemed to him that this emancipation could only come from a State power which had been captured by the workers, which presupposed not only universal suffrage and a Republic, but also a high degree of capitalist development, as well as a numerous, well organized, and adequately trained working class. Even he laid great stress upon productive co-operation, although the trade unions seemed to him to have more immediate importance.

To-day, the importance of trade unions is greater than ever, since they are no longer wholly concerned about wages and hours of labour, but are also actively engaged in home and foreign policy. On the other hand, productive co-operation has fallen into the background. Practical experience of these associations has given rise to many objections against them. To be sure, not a few of them are in a thriving state, and they demonstrate by their example that the industrial self-government is not a Utopia. But they are exposed to the hazards that affect all undertakings in the capitalist world. They do not all prosper; many fail or become bankrupt, because their managers lack the necessary commercial experience, and in the bourgeois world they encounter the strongest enmity among those they have to deal with as suppliers of materials, grantors of credit, or customers for products.

Ought the State to meet the loss of every co-operative association, no matter how incompetent the management, or how inadequate the personnel? If this were done on a large scale, it would undermine the State's stability. A higher mode of production is not to be achieved by such methods.

Should the thriving co-operative associations assist the decaying societies? Should their members accept those

of the bankrupt societies with equal rights in their midst? This prospect would not please them at all. In most cases they have only been able to overcome their initial difficulties by means of great privations and tireless industry. Should they now, when they have reached the point of reaping the harvest, share it with those who were perhaps less ready for sacrifice or less enthusiastic, and have therefore fallen into a parlous condition? Whether these suppositions be right or wrong, the evolution of co-operative societies is always as follows. Some of them fail, but those that survive continue growing, and engage new workers, not as partners, but as wage-earners. Thus the co-operative associations are in practice only a means of transforming a number of specially capable or lucky workers into capitalists not of abolishing the rule of capital itself.

Nevertheless, the co-operative idea need not be wholly abandoned. Hitherto it has always been pursued under circumstances which put great difficulties in its way. In a community dominated by the workers, it could develop more easily, and the objection that in its present form it only rears new capitalists could perhaps be overcome by special provisions.

However this may be, it now appears unlikely that co-operative production will ever become a general form of socialist production.

In his *History of the 1848 Revolution*, Louis Blanc gives a detailed account of the socialistic experiments which were undertaken in that year of revolution, under the pressure of the working class of Paris, and in face of the greatest opposition from the Provisional Government.

It is noteworthy that it was almost exclusively handicrafts for which productive associations were formed at that time with State assistance. This corresponded to the condition of Paris industry, in which the machine played no part at all, even at the time of the Commune of 1871.

The most important of the productive associations founded at that time was that of the tailors, which comprised 2,000 members, to whom was assigned as

workrooms the former debtors' prison of Clichy, as the Revolution had abolished imprisonment for debt.

The second productive association which arose under Louis Blanc's influence was that of the saddlers. Both associations received the patronage of the State. The tailors received an order to make 100,000 uniforms for the National Guards, and the saddlers were given an order to manufacture the saddles that had previously been made by the military workshops.

By the side of the tailors of Clichy worked a third association, that of lacemakers, who were entrusted to make the epaulettes for the uniforms manufactured by the tailors.

In all the industries affected by the National Workshops experiment handicraft had not yet been supplanted by the machine. And each of these industries only employed workers belonging to the same vocation. The organization of the process of production was very simple, requiring no other knowledge than that derived from personal experience, which every worker could acquire after some time in his trade, and which would enable any intelligent and skilful workman to organize and manage the business himself.

Where productive co-operation is concerned with conditions of simple handicraft and does not have to produce for particular individuals, but for solid organizations with well-defined needs, wholesale buying societies, municipalities, and the State, it will acquire a certain importance for the socialization of production.

Yet as regards most of the branches of industry which it was thought would come within the scope of productive co-operation, the organization and management of the undertaking by the trade unions concerned, or what is called Guild Socialism, may prove more advantageous.

(*d*) Guild Socialism.

In the middle of the last century, when the idea of the emancipation of Labour through productive co-operation was at its zenith, trade unions were practically unknown on

the Continent. Even in England they were immature, weak, and divided, although already a force to be reckoned with.

Then the idea arose that productive co-operative societies might be organized more successfully by associating them with trade unionism. In 1882 I published an article on "Trade Union Co-operation," in which I drew attention to the inadequacy of productive co-operation, and went on to say:

"This drawback may be overcome through making the associations the property of the trade unions, so that their profits would go to the whole of the organized workers. Of course, the trade union would not grant the workers in their employ any better conditions than their fellows enjoyed under private enterprise. The interests of co-operative workers would therefore be identical with those of other workers. If the business grew, more workers would be employed, and there would be an increase in the number of workers independent of capital. Every extension of the business would be a step in the direction of the emancipation of Labour, instead of, as to-day, a step in the direction of creating new capitalists.

"The proposal of trade union co-operative production is not new. In England in 1842 we find the members of 'The Journeyman Steam Engine and Machine Makers Friendly Society,' at their delegate meeting, proposing to spend the money of their society in the purchase of factories. In 1845 the proposal was repeated and seriously considered. In 1847 negotiations were recommenced, but immediately after the delegate meeting a period of such depression set in that all the funds had to be reserved for current expenditure.

"The events of 1848, which gave such an impetus to the Co-operative Movement in France, also produced an effect in England.

"The 'National Association of United Trades' proposed in their organ, *The Labour League*, that a sum of £50,000 should be raised as an 'Employment Fund,' and devoted

to the establishment of undertakings which would admit members and subscribers who had lost their employment owing to conflicts with the employers.

"It was 'The Amalgamated Society of Engineers' which displayed the greatest vigour in this matter. In the first month after the amalgamation, members of the executive committee conferred with members of 'The Society for the Promotion of Labour Co-operation' regarding the best investment for their considerable funds. The consequence was a great agitation among the engineers in favour of the co-operative principle."

In the year 1852 serious steps were taken to put the co-operative idea into practice. The purchase of a foundry had been decided upon the previous year. When a great lock-out was declared in 1852, it was desired to complete the purchase, in order to provide for unemployed members. But the lock-out ended with a defeat of the workers, and absorbed all the funds of the trade union, in spite of generous support from other unions. For the time being all attempts to establish or acquire workshops were paralysed. When trade unionism revived, the idea of productive co-operation had lost its fascination for the working classes.

And the economic prosperity which now set in brought such success to trade union activity that no further attention was paid to the idea of transforming the prevailing mode of production.

This brilliant state of trade union affairs ceased at the end of the seventies of the last century. In the article from which I have already quoted I stated:

"Now this happy period is over for England. Overproduction has become general, and makes itself felt even in the motherland of the capitalist mode of production. The preponderance of English industry disappears more and more, and with it the harmony between Capital and Labour. The trade unions are threatened with bankruptcy, and the working classes recognize more and more the necessity of drastic social reforms. It is no wonder

that people are now reverting to the old proposal to establish co-operative production."

Mr. George Howell, in his book *The Conflicts of Capital and Labour*, advocated this idea. On page 478 he states:

"Until they utilize some portion of their wealth in the manufacture of articles belonging to their own craft, they can only be viewed as temporary expedients for the relief of pressing necessities. As at present constituted and managed, trade unions live from year to year on their capital, instead of imitating the commercial classes, and growing rich out of profits."

The idea was also championed by other English social reformers of repute, from whom the article above quoted provoked criticism. I pointed out that the resources of trade unionism were too limited to be pitted against the accumulations of capital; that the trade unions' funds ought always to be in a liquid form, available for their wage movements, and that the trade union undertakings could not offer any remedy for unemployment, as they, too, would be subject to market conditions. Upon them would devolve the contradictory task of employing few workers in good times, and many workers in bad times.

The trade union productive associations could only become of importance if the State intervened, and placed the necessary resources at the disposal of the trade unions.

The English trade unionists would not listen to this criticism at that time. They saw in the State nothing but a bureaucracy with which they desired to have as little to do as possible, and it is only within the last two decades that this attitude has changed. The trade unions have received great accessions of strength, and have also come to the conclusion that purely trade union methods must be reinforced by political methods, and accompanied by the fullest use of democratic institutions for Labour ends. The trade unions have organized in the Labour Party, and the idea of capturing the State power, in order to shape it into an instrument for the economic emancipation of Labour, is making rapid progress in England.

Under these circumstances the idea of trade union productive co-operation has again arisen, but this time in a more rational socialist form.

The trade unions are not now to establish productive co-operative associations out of their fighting funds, but with State resources, and each separate establishment is to subserve the great common object of a new mode of production. Each trade union is eventually to carry on the whole branch of industry which employs its workers, and all trade unions together are to form a great social machinery of production. The means of production are to pass into the hands of the State, but production itself is to pass into the hands of the trade unions.

Such is the basic idea of Guild Socialism, to which we have several times referred. It originated in the country where trade unionism has secured a greater hold over the lives of the workers than elsewhere. The idea of Guild Socialism arose in England during the years which immediately preceded the war. It has produced a comprehensive literature, and some attempts have been made to put the principle into practice. Building guilds have been formed in England during recent years, which have made contracts with various municipalities for the construction of a large number of houses. Building guilds upon this model have also been formed in Germany and Austria.

On September 16th the "Association of Social Building Guilds" was founded in Germany, with the support of the following trade unions: the associations of German building operatives, factory-workers, painters and lacquerers, wood-workers, metal-workers, technical employees, machinists, carpenters, stoneworkers, stonemasons, tilers, asphalters, glaziers, and saddlers. An industrial association would, of course, be able to organize the "social building guild" more efficiently than this collection of craft unions. In addition to the above mentioned trade unions, the State of Saxony and a number of German towns and co-operative settlements have invested capital in the social building guilds.

At the beginning of 1922 the building guilds were employing about 20,000 men, and the end of the business year had shown a turnover of 350 millions of marks. The contracts were secured under conditions of free competition. In all these contracts the tenders of the building guilds were about 40 millions (paper marks) lower than those of private enterprise.

Thus a beginning has been made. How rapidly this type of organization will spread depends in the first place upon its appreciation of the need for good workmanship, and not less upon the contracts it will receive from Socialist Governments and municipalities, and eventually from Labour organizations, such as co-operative societies and the like. At the outset the building guilds will not be able to depend upon other contracts.

Yet it is not too much to believe that this type of organization has a great future, and will play a notable part in the organization of socialist production.

But Guild Socialism goes too far when it postulates the guild organization as the sole form of socialist production. Its primitive conception of the State and inadequate economics may be overlooked as mere academic questions, although they might also involve practical drawbacks. But to force the whole of the economic undertakings of the socialist society into the narrow groove which Guild Socialism proposes would be most detrimental. Its fundamental idea is excellent, but it should not be carried too far.

It is no accident that hitherto the guild idea has only been applied to the building industry. So far as I am aware, there are few indications regarding its application to other branches of industry.

Now the building industry has this in common with the trades concerned with productive co-operation in 1848: it is still in the handicraft stage. The machine does not yet play any part.

The name of Guild Socialism carries us back to the Middle Ages, and reminds us of "masonic lodges."

Whereas in the other handicrafts of the Middle Ages each master laboured for himself in his workshop with one or two, or with no, journeymen, the case was different with the "free masons," who had been organized since the twelfth century in brotherhoods, that is, in associations which resembled trade unions. When a building was to be constructed, and it was then usually an ecclesiastical building, the work was undertaken by a brotherhood upon the instructions of an ecclesiastical organization, or of a town, or of a feudal lord, and the brotherhood concentrated its activities in a masonic lodge erected close to the building. As churches were then built very slowly, often occupying a hundred years, the contract with the masonic lodge was a permanent one. The organization survived its members. Within it the artist was not yet separated from the simple workman. All the members shared in the rich experiences and the high degree of knowledge which were gradually accumulated in the organization, and were jealously guarded by them as a secret science. Consequently new members were only admitted after many precautionary measures and tests.

The absolutism which arose after the Reformation suppressed all independent organizations, and also made an end of the freedom of the journeymen's associations. The organizations of free masons which had secrets from the authorities were bound to be detested. They could only maintain themselves as secret associations.

At the same time the material foundation of the masonic lodges, the construction of the Gothic arches, disappeared. In the new building art the workpeople were separated from the master builders and the artists, whose knowledge and qualifications were now learned at high schools, which, although public, were not accessible to the simple workers, who lacked the necessary means and preparation. Thus the brotherhoods with their secret science became superfluous for the building industry.

Whether the philanthropic secret societies of freemasons, which have arisen since the beginning of the eighteenth

century, merely regard the decaying brotherhoods of the freemasons as a prototype, or whether they derive directly from them, does not here concern us.

In spite of the changes it has passed through, the building industry has remained a branch of industry of a peculiar kind, which alike to-day as in the Middle Ages, favours a peculiar type of organization, so that the masonic lodges of twentieth-century Guild Socialism arise from similar conditions to those which originated the masonic lodges of the brotherhoods of masons and stonemasons of the twelfth to the sixteenth centuries.

In addition to the fact that machinery plays no more part in the building industry than it did formerly, fixed capital is also of very slight account. It comprises nothing more than equipment and ladders. The land that is to be built upon belongs to the person who gives the contract. There is nothing to prevent him supplying the building material or paying for it himself; in that case the guild would merely perform the labour.

We are not suggesting that the guild system could only be applied to the building industry. It will doubtless prove the most appropriate type of socialistic organization for a whole series of other branches of industry.

In the building industry, however, it will exercise a revolutionary effect. Let us not forget that one of the most immediate and important cares of a Labour regime must be the improvement of housing conditions, for which it would earn the gratitude and support of three-quarters of the town and country population. The municipalities will be the appointed instruments of this great social reform, and the social building guilds will be their rigorous organs, which on their part will find their best support among the socialist municipalities.

(*e*) The Jointly-Controlled Organization.

The building trade is, as a rule, more extensive and diversified than an ordinary handicraft in the workshop. It comprises not one, but various manual workers, such as

masons, carpenters, tilers, etc. Yet each of these tradesmen works about the building for himself. They work side by side, or consecutively, not with each other.

The reverse is the case with large-scale modern industry. Each undertaking comprises members of the most diverse trades, who work with and for each other, each worker being dependent upon the labour of numerous others. Extraordinary organizing capacity and expert management are required to ensure that each individual is allotted his place and work in such wise that no friction or impediments arise, and all the labour-power employed is utilized to the utmost. And to this living labour-power, which frequently comprises a thousand persons, of the most varied kinds, is added an abundance of gigantic machines and buildings, and numerous, often extremely varied, raw materials and accessory materials from all countries, necessitating a complicated commercial apparatus, which is not less requisite for the marketing of the products.

This increases the demands on the knowledge and capabilities of the managing personalities to an extraordinary degree. This knowledge can only be acquired at technical colleges, which have hitherto been inaccessible to the ordinary workers.

Whilst the management is so far removed from the crowd of intelligent and experienced workers, the economic development has, on the other hand, considerably reduced the demands on the knowledge of the mass of workers in many modern businesses. The skilful handicraftsman, acquainted with every side of his vocation, is replaced by a labourer, who is taught to make a few manual operations, which are continuously repeated. Beyond this he knows nothing about the process of production in which he is engaged.

If the processes connected with the building trades and handicrafts are sufficiently simple to permit the majority of workers to elect managers for their businesses, this aspect of the question becomes all the more difficult in the degree that a branch of industry is developed on capitalist

lines. At the same time, the consequences of a mistake would be all the more disastrous, inasmuch as the intensity and area of the economic effects are increased with the development of the undertaking.

The following consideration is even more important in this connection. We have already noted that Guild Socialism separates production and consumption on hard and fast lines. From this standpoint the production in each branch of industry is something that only concerns the workers engaged. As Cole says :

" Here it must be evident that the normal conduct of, and responsibility for, industry, will be absolutely in the hands of the Guilds, and that neither the State nor any outside body should have any say in nominating Guild officers or managers " (*Self Government in Industry*, 4th Edition, p. 117).

And later :

" The control of actual production, he (the Guildsman) says, is the business of the producer, and not of the consumer. Only by giving the maker control over his own work can he satisfy the true principle of democracy ; for self-government is no less applicable to industrial than to political affairs " (*Self Government in Industry*, 4th Edition, p. 151).

According to this peculiar conception, " true " democracy consists in the fact that the community is not to be concerned with what one of its organs is doing. The State is required only for the purpose of making the individual trade unions masters of the means of production in their branch of industry. What they may do with their common property is nobody's business but their own.

They are to be entirely independent in the process of production. Not until they bring the finished product to the market are the consumers to have the right to take part in fixing the prices. For this purpose they are to be organized :

" [Guild Socialists] hold that the economic relationship between man and man only finds full expression when

producers and consumers alike are organized—when the producer and the consumer negotiate on equal terms" (*Self Government in Industry*, p. 87).

But what if the negotiations should lead to nothing, if a guild should insist on its strong position? Would the result be struggles for power between a number of guilds and a number of consumers' organizations?

"The nation is in all its aspects so interdependent, production and consumption are so inextricably intertwined, that no mere abstract separation of functions can form a basis for a theory of the modern community. The problem, I admit, cannot be left where it stands.

"Where a single Guild has a quarrel with Parliament, as I conceive it may well have, surely the final decision of such a quarrel ought to rest with a body representative of all the organized consumers and all the organized producers. The ultimate sovereignty in matters industrial would seem properly to belong to some joint body representative equally of Parliament and of the Guild Congress. Otherwise, the scales must be weighted unfairly in favour of either consumers or producers" (*Self Government in Industry*, pp. 87–88).

It is of course quite erroneous to assume that an association of various guilds would merely represent producers' interests. There would be scarcely a guild which would not stand to other guilds in the relation of consumer.

As against the coal-miners' guild, practically all the other guilds would have consumers' interests. On the other hand, in a socialist society every able-bodied person is not merely a consumer, but also a producer, and no person can be so bisected that he would adopt a different attitude in a Parliament from what he would in a guild association, both assemblies being elected by the same people.

As both bodies would be elected by different electoral systems, temporary difficulties might well arise between them, but these would rarely coincide with the line of demarcation between the interests of consumers and those of producers.

But let us assume that the union of guilds represent an interest common to all branches of production. And let us further assume that the distinctions between parties in the parliaments would not be determined by any motives other than consumers' interests ostensibly common to all parliamentarians. What would be the use of a "joint body representative equally of Parliament and of the Guild Congress?" Its composition would have to be based on the principle that neither the Guild Congress nor Parliament would have a majority over its opponent. Now if the two sections could not arrive at an agreement, how would the body which is above them be in any better case? It would require, like all arbitrators, an impartial third party, who in this case would have to be neither worker nor consumer.

It is quite conceivable that Cole would relegate the creation of this supramundane being to a new theory which has yet to be formulated, the problem of which might be compared with that of squaring the circle.

If, despite these difficulties, the efforts to constitute this supreme sovereign body, which would be above the sovereign union of guilds and the not less sovereign Parliament, should be successful, the gain would not be very great. Just reflect how awkward it would be if the guild and the parliament were obliged to appeal to the highest judge whenever they had a dispute, and with what friction and impediments the whole process of production would then revolve. Each guild would have full liberty to organize production as it chooses, perhaps to the great detriment of consumers. The latter would only intervene when such injury had actually occurred, in order to demonstrate that they had been actually injured.

It would be far more fitting and effectual if, instead of producers and consumers always quarrelling and only coming together before the supreme court of appeal, institutions were set up, by virtue of which consumers and producers would be brought together in every branch of production at the very commencement of production,

when the details of its organization and its management were being settled, in order to reach unanimous decisions upon these matters. This would involve not two, but three factors: first the producers, then the consumers, who would be directly interested in the products, as for example the farmers in the matter of agricultural machinery, and finally the community, which would represent alike the whole of the producers and the whole of the consumers, that is to say, the State.

Such a State, organized on scientific lines, would, under a Labour regime, be the impartial and supreme judge of the separate interests of the individual producers as well as of the productive consumers, who would be nothing else but other producers. In this way a harmonious and systematic organization of production to meet social requirements would be rendered possible.

Productive co-operation or the guild system would be appropriate in the case of handicrafts, and of the production of products where delay would not involve serious harm to those concerned. The higher the level of technical development to which a branch of industry has attained, or the more its uninterrupted and intensive continuance signifies a vital necessity, the more we shall require a form of organization in which all the interested parties, not merely the workers, should have something to say about the details of organization and management. This form has received the name of joint-control. While the idea of Guild Socialism has come from England, the idea of the jointly-controlled undertaking comes from Germany, to which Austria intellectually belongs. The most important spokesmen of the idea in Germany are natives of Austria, so that it may be described as a product of Austrian Marxism.

The best exposition of this idea is to be found in Otto Bauer's *Der Weg zum Sozialismus* (1919). In his tracks followed W. Ellenbogen, whose booklet entitled *Sozialisierung in Oesterreich*, not only contains an outline of socialization theories, but also gives a description of the

practical attempts that have been made in this sphere in Austria.

Alike in Austria and in Germany, jointly-controlled undertakings have been successfully organized, being for the most part State services which produced war material during the war and are now being diverted to more pacific branches of production.

In Germany the idea of joint-control found expression in the proposals of the socialist members of the first and second Socialization Commissions, in which Hilferding and Professor Lederer played an important part. I reported upon the idea of socialization to the second congress of the Workers' Councils of Germany, which was held in 1919, and this report was published in Vienna in pamphlet form, with the title *What is Socialization?* I venture to quote the following passages:

"With each branch of production that is transferred from capitalist to State or municipal ownership, a new organization should be created, which would enable the workers and the consumers, as well as science, to exercise the necessary influence upon the adaptation of the processes of production. Such an organization would be quite different from State bureaucracy as we have hitherto understood it. The details of the new organization would vary with the different branches of production. It can be made elastic and adaptable.

"Yet it might not prove possible to fit all the branches of production into the new organization immediately. Many of them would have to pass through a number of preliminary stages, but whenever they became ripe for socialization, it would be necessary, in spite of all variations in point of detail, to manage production through the co-operation of the three great factors: the workers, the consumers, and science.

"The co-operation of these three factors would produce the happiest results. If every branch of industry were abandoned to its workers alone, there would be a danger that the workers would raise wages, reduce hours of labour,

diminish the volume of production, and increase the prices of their products, without troubling about the community. The essential workers would be in a position to do this the soonest. The dispensable workers would soon find there was a limit to forcing up the prices of their products. The whole process would culminate in the domination of the essential workers over those who were at least temporarily dispensable, such as a domination of coal-miners over textile workers, tailors, shoemakers, joiners, etc., a state of affairs which would be as intolerable as capitalist exploitation.

"But if the decisions respecting any branch of industry rested with the consumers alone, we should run the risk of their striving to force down prices at all costs, even at the expense of the workers.

"If workers and consumers were combined in an association in such wise that neither section could dominate the other, they would have to endeavour to overcome their antagonism by means which would be beneficial to both.

"To discover these means is the task of the men of science, whose services would be enlisted as the third party in the organization of economy. Their duty would be to ensure that the most perfect technical appliances and organization were adopted in the undertaking, so that the greatest possible result would be obtained with the smallest expenditure of energy.

"Under capitalism the incentive to these efforts is profit. Under Socialism profit will cease to exist, but this incentive will be replaced by another at least equally strong, if the antagonism between the consumers and the workers can be overcome through the intervention of science.

"Now science will be able to do many more things under socialist production than it can do under capitalism. It will be entrusted with the task of organizing consumption as well as production on rational lines. It will be possible to do this when organizations of consumers as well as organizations of workers participate in the process of production. If, on the one hand, the technical experts

ensure that more wealth is produced with an equal expenditure of energy; on the other hand, economists and statisticians will provide indications for the disposal of the products in a manner that will avoid waste and give a greater degree of satisfaction to the consumers."

The details of organization may assume various forms. It will vary from industry to industry, from country to country, and from one stage of development to another.

As an example, I will quote the proposal which Otto Bauer made in his *Weg zum Sozialismus*:

"Now who is to manage the socialized industry? The Government? Assuredly not. If the Government controls as many undertakings as possible, it would be too powerful as against the people and the popular assembly; such an augmentation of governmental power would be dangerous to democracy. At the same time, the Government would be a bad administrator of the socialized industry; nobody manages industrial undertakings worse than the State. For this reason we have never advocated the nationalization of industry, but always its socialization. Then who is to manage the socialized industry, if it is not to be the Government?

"To-day, the big industrial concerns are controlled by a board of directors which is elected by the shareholders. In the future also every branch of socialized industry will be managed by a board of directors; but this administrative body will no longer be chosen by the capitalists, but by the representatives of those social sections whose needs the socialized industry is henceforth to satisfy. Now who has an interest in the management of the socialized industry? First of all the workers, the employees, and the officials who are engaged in this branch of industry; secondly, the consumers who need the products of this branch of industry; and thirdly, the State as the representative of the community. Consequently, the directorate of each socialized industry will be constituted somewhat in the manner following: a third of the members of the directorate will be elected by the trade unions of the workers

and by the organizations of the employees employed in the branch of industry. Another third will be formed by the representatives of the consumers. For example, in the directorate of the mining industry there will be representatives of consumers partly selected by the organizations of consumers of domestic coal, and partly by the organizations of consumers of industrial coal. The last third of the members of the directorate will be constituted by the representatives of the State. They will be appointed, partly by the Chancellor of the Exchequer, so that the treasury interests are represented, and partly by the National Assembly or Parliament, so that the general economic interests of the nation are represented. The representatives of the workers and employees on the one side, and those of the consumers on the other, will have antagonistic interests to champion ; for the one side will desire high wages, and the other low prices. The representatives of the State will function as mediators and arbitrators between the two parties.

"To a directorate constituted in this manner will be entrusted the supreme control of the branch of industry : the appointment of the managing officials, the fixing of the prices of commodities, the conclusion of collective labour agreements with the trade unions and the employees' organizations, the disposal of the net profits, etc. Special arrangements would be necessary to prevent the appointment of managing officials on personal or political grounds, and to ensure that the most efficient experts, engineers, and chemists were chosen. Perhaps the most appropriate means to this end would be as follows. The teaching staff of the technical high schools and the managing technical officials of the entire industry would form a committee, and this committee would be asked to submit proposals for each appointment of a managing official in a socialized branch of industry. The directorate of the branch of industry would then appoint one of the persons proposed."

This differs very little from the proposal which the

majority of the first German Socialization Commission made in its report of February 15, 1919, dealing with the administration of a socialized mining industry. There it stated:

"It is recommended that the whole of the German mining industry should be placed under a coal council, which would consist of a hundred members, and meet about four times a year. The management of the undertakings, the workers, and the consumers would each choose twenty-five of these members, and the remaining twenty-five would be appointed by the State. Of these at least one-third are to be officials, while the remainder should be drawn from scientific, economic, and public circles."

We have to reckon with the possibility that experience and theoretical investigations will bring many other proposals for socialization to light.

However such proposals may be devised, if they are to give satisfactory results, they will have to provide that no branch of industry and no undertaking shall be handed over to the workers employed in it, but that the consumers interested, as well as the community and science, shall have a right of participation. This participation should apply not merely to the disposal of the finished product, but also to the process of production itself.

Guild Socialism is perfectly correct in its contention that the worker demands freedom as well as good conditions of labour. He desires democracy to be introduced into industry.

But democracy signifies not anarchy, but submission of the individual to the decisions of the majority and to those of the managers which the majority appoints.

Although Cole recognizes this, he expresses the opinion:

"Similarly, while the workman has his foremen and his managers set over him by an external authority, then, however kindly they use him, he has not freedom. He must claim, as a necessary step on the road to industrial emancipation, the right to choose his own leaders" (*Self Government in Industry* 4th Edition, p. 183).

Even under a system of extreme industrial democracy, the individual worker will always have his overseers, foremen, and managers imposed on him by an external power, that is, by the majority.

In this respect Guild Socialism draws a remarkable distinction. It does not regard the majority of the comrades in the same trade as a power external to the individual worker, but such an external power would be constituted by the majority of the members of his class, the workers in all other trades, who in a socialist society would be synonymous with the mass of consumers. For Guild Socialism the regulations of the guild are freedom, but the laws of the community are intolerable slavery. It has not emerged from the shell of syndicalism, although it does not share the latter's repugnance towards State ownership of the means of production.

(*f*) Socialism and Profit.

A further question arises in connection with the influence of workers, of consumers, and of the State upon the socialized undertakings: what is to be done with the surpluses? And ought the undertakings to yield surpluses at all?

The supporters of the jointly-controlled type of business mostly answer this question in the affirmative. In his *Weg zum Sozialismus*, Otto Bauer takes it for granted that the socialized branches of industry will make net profits.

"It goes without saying that a portion of the annual net profit will have to be employed to extend and perfect the productive apparatus of the branch of industry. The rest of the net profit will be divided between the State, on the one hand, and the workers, employees, and officials who are engaged in the branch of industry, on the other hand."

Many Socialists have taken exception to the proposal that socialized undertakings and municipal services should be made to yield a surplus, on the ground that this is profit-making, and not Socialism.

This idea is derived from the old principle that each worker should receive the full product of his labour.

Now one thing is clear : the political rule of Labour will involve large State expenditure for various communal purposes, to which we have already referred : a revolution in housing conditions, improvement and extension of education, and also of the health services. Hitherto taxation has been regarded as the chief source of money for State purposes.

But there is something else to be noted : the further socialization progresses, the more will it narrow the field of exploitation for private capital, and the more will it have the effect of raising wages at the expense of profit, thus causing the rate of profit to fall within this constantly diminishing field.

The result will be a steady decrease in the volume of surplus value which goes into the pockets of the capitalists. Now it would be absurd to take measures to diminish this volume of surplus value and at the same time expect an enormous increase in the yield of taxation. If the enormous cost of the social services under a Labour regime is to be met by taxation, then, however high the super tax and the death duties may be, an ever larger portion of the burden of taxation will fall on the worker.

Now according to our assumptions, the wage of the worker will be increased to enable him to support the higher taxation. But would it not be absurd, for the sake of the socialist principle, to pay the workers in the socialized undertakings the amount of taxation in their wages, and then laboriously to take it back from them in a hundred different forms, in constant strife with the tax-gatherers and by means of a clumsy and expensive bureaucratic apparatus.

Once the number of socialized undertakings and the volume of their surpluses become large enough to cover the entire expenditure of the State and the municipalities, the great bureaucratic apparatus, which is to-day employed by the Inland Revenue, will become quite superfluous. We should then be rid of an appreciable portion

of that State bureaucracy, to diminish which would be one of the most urgent tasks of victorious Labour. These expensive officials would then be free to undertake productive work.

Tariffs which are nothing more than taxes would inevitably disappear with a thriving system of socialist production. Socialism will proceed from highly developed industrial States, which would no longer need a tariff for infant industries, and would certainly not need a tariff to assure extra profits to the great associations of employers.

There remains the tariff which is imposed for the protection of branches of production which cannot flourish in the country because the necessary natural or social conditions are absent. Tariffs of this kind are only imposed for the purpose of impeding the natural and geographical division of labour, and therefore the development of the productivity of labour, artificially prolonging unproductive branches of industry at the expense of the community.

The abolition of such tariffs might sometimes be painful for many sections of workers. This is a reason to practise caution in the method of abolition, but that is no argument against abolition itself.

To renounce any revenue from the surpluses of socialized undertakings would seriously hinder their progressive development, and would render necessary the maintenance of a comprehensive bureaucratic machinery. This renunciation is by no means synonymous with Socialism.

The difference between Socialism and capitalism does not consist in the fact that the one makes a profit, and the other not, but in the fact that the one makes a profit for individuals, while the other makes a profit for the community. This is an extremely important distinction.

Yet it is not the sole distinction with regard to profit. Under capitalism, businesses have vitality only so long as they yield a profit. Profit is the soul of economy. Individual businesses or branches of industry may be ever so useful to the community, but they cannot maintain

themselves unless they succeed in making the average rate of profit. On the other hand, every business can find sufficient capital if it can yield enough profit, however contemptible or injurious it may be for society.

This would be different in a socialistic organization of the process of production. It would now be incumbent on the management of a socialized undertaking to prevent any harmful employment of its means of production, however much profit it promised. The application of this principle would be all the stricter, the greater the influence, not merely of the producers of the particular branch of industry, but also of the whole body of consumers.

On the other hand, the socialist system of production would continue to operate particular businesses or branches of industry which appeared useful to it, even when they yielded no profit, and perhaps required subsidies. The establishment of schools, the construction of roads and bridges has never been a profitable business for the State or the municipality.

It must not be concluded from this that the question of a profit or a surplus is a matter of indifference to the municipal or communal services. At the present time national or municipal institutions which do not pay for themselves can only be conducted with the assistance of taxes upon individuals, which are all the higher, the greater the services which the institution renders the community. The more socialization progresses, the more branches of industry are transferred to the ownership of the State and the municipality, the more the costly and circuitous method of taxation will be avoided as a source of State and municipal revenue, and the more dependent the public finances will become upon the surpluses of the public services. In these circumstances, particular undertakings and branches of industry may be run without surpluses, and may even require large subsidies. This is of course impossible for the whole of industry. The larger the subsidy for the one, the greater must be the surpluses yielded by the others.

Far from being unsocialistic, the system of surpluses will be important for a socialist regime, as the greater the social tasks to be undertaken, the more considerable will the surplus have to be which the socialized undertakings as a whole provide.

The difference between capitalism and Socialism does not merely consist in the fact that in the one case profits go into the pockets of individual capitalists, while in the other case they fall to the community, and that in the one case the business is run solely on account of profit irrespective of its beneficial or injurious effects, whilst in the other case only those branches of industry which are useful to the community are maintained, the injurious businesses being closed down, whatever profits they may yield.

While it must not create a privileged aristocracy of labour at the expense of other workers, the socialized undertaking should be a model concern in every respect, not least in regard to the position of its workers. The intellectual and physical elevation of its workers must form one of the chief cares of the management of the socialized undertaking.

Its methods of securing a surplus must consist in securing the greatest possible perfection of its technical installations, effecting the utmost improvement of its organization, and taking measures which increase the strength and the zeal of its workers. In this respect, it will be able to accomplish more than a capitalist undertaking, as it will be organized, not upon the antagonism, but upon the co-operation of its employees in the establishment and conduct of the business.

The socialized undertakings as a whole will of course have to yield surpluses, and the means to this end is to raise the productivity of labour.

(*g*) The Spread of Socialization.

Although the beginnings of socialization will be comparatively modest, the principle will exhibit a tendency to constant expansion, not only in consequence of the

pressure of the working classes, but also for economic considerations.

Under the capitalist mode of production we find, by the side of the tendency of the individual business to expand, the tendency of various businesses to draw together and to be consolidated under a common management. This is partly the consolidation of businesses of the same type, which is called their horizontal connection, and partly the consolidation of different, but complementary, businesses, which is called their vertical connection.

The consolidation of businesses of the same type is effected chiefly for the purpose of eliminating competition and restricting production, in order to force up prices beyond the level they would reach under free competition, thereby securing profits in excess of the average. We find combinations of this character only where the large businesses are so highly developed that the number of undertakings of the same type in the State is very small, or where natural circumstances have limited the number of existing undertakings, as is often the case with the mining industry.

Apart from the restriction of production, this process of combination saves each undertaking the cost of seeking and attracting customers, that is, the cost of advertisements, commercial travellers, etc. When the grouping of businesses proceeds as far as trustification, when the individual business completely loses its independence, to the above named advantages may be added that of concentrating the whole of production in the best equipped and most lucrative works, and closing down the badly-equipped works.

Moreover, the starting-point of socialization will mostly be branches of industry which have already become cartels or trusts. But under certain circumstances, socialization would also have to commence with individual businesses.

Besides the desire to increase productivity, the socialized undertakings, as well as the capitalist undertakings, will be stimulated to effect combinations by the need for

eliminating competition, although not for the same reasons. The socialized undertakings will have no inducement to eliminate competition in order to raise prices and gain extra profits through restricting supplies: such a step would meet with vigorous opposition from the consumers, who would have great influence in the socialized undertakings.

But precisely because of this, the elimination of competition would be effected without any injury to the community, whereas under capitalist production the abolition of competition would remove just that factor which is responsible for its greatest achievements in the sphere of the development of the productive forces, and without which the injurious features of the system would be sharply accentuated.

The socialized undertakings must endeavour to eliminate competition, not in order to benefit consumers at the expense of producers, but because the competitive struggle in the market necessitates personal initiative in the process of the circulation of commodities, which best thrives under private property in the means of production and the products, and which, as we have seen, represents a weak point of socialized industry. Of course, this is not an objection to socialization, but to socialization on the basis of competition. Although socialization can best be applied where capitalist development has eliminated competition, yet isolated socialized undertakings will have to try to attract within the sphere of socialization the private businesses that are competing with them.

By the side of this process of horizontal consolidation, the vertical process promises to become extremely important.

With the widely ramified division of labour that prevails to-day, it is seldom that the production of a product is confined to one undertaking. Most products have to pass through a series of undertakings, from the stage of raw material to the stage of the finished article. In the scale of businesses, each undertaking which is concerned with a

later stage of the product stands towards the business which produced it or one of its constituent parts in the relation of consumer to producer.

Just as the interest of the generality of consumers is best safeguarded when they themselves control the means of producing the product which they consume, so is this also the case with the above productive consumers.

If a business produces the articles which it requires, or if its proprietor also owns the businesses which produce such articles, it can rely upon receiving them in the necessary quantity and quality, as the accessory businesses can be made strictly subordinate to the chief purpose of production.

The industrial combines endeavour to make extra profits for their branch of industry, and thus burden the businesses which work up their products. This would be avoided by the " consumer " business, if it controlled the undertakings of its supplies. It would save the extra profits of the cartels or trusts, and these profits could be utilized to sell its products more cheaply, thus dealing a blow at competition.

The progress of this tendency is to some extent impeded by the conditions of the division of labour, which have brought it about that a process of production which was formerly completed within the limits of a single business is now split up into a series of partial processes, carried out in a series of independent businesses.

The tendency to consolidate businesses which consecutively subserve the same process of production first arises among the gigantic concerns of modern times, and is confined to them.

What is true to-day of capitalist undertakings will be doubly true for socialized undertakings, especially when it is not a question of socializing isolated businesses, but a whole branch of industry, which is under common management and ownership. Then the tendency towards vertical consolidation will receive a great accession of strength and offer extensive opportunities for fruitful

achievement. It will be an advantage rather than a drawback if the close interweaving of various branches of production renders it difficult to socialize one branch apart from the others.

For example, ironworks are to a large extent dependent upon the proper quality of cheap coal. The consequence has been that a number of ironworks has acquired coal-mines. The socialization of the mines involves the question as to whether the principle is to be applied to the combined coal and smelting works. If this question be answered in the affirmative, it involves the further question: why stop at coal and the coal and smelting works, and why not also socialize the smelting works? Alfons Horten considers it necessary to socialize coal, iron, and steel together. It seems to him impossible, however, to socialize this immense sphere of industry at once. In opposition to most of the other proposals, he would not socialize one of these branches of production after the other, but all of them simultaneously, or only in part, at first about 10 to 15 per cent. of the existing coal-mines and ironworks (Horten, *Sozialisierung und Wiederaufbau*, 1920).

The principle of this proposal ought not to be rejected as a matter of course. Whether it is practicable or not is for the experts to decide. So far it has not found much favour.

However this may be, one thing is at least clear: the socialization of coal would involve a demand for the socialization of iron.

This project would receive an impetus from another branch of socialized industry, from the railways. The railways are such great consumers of iron, tires, sleepers, etc., their operation and their payability are so dependent upon the quality and the prices of iron products, that the socialization of iron would confer a considerable advantage upon them. If middle class Governments have hitherto refrained from taking such measures for the benefit of their State railways, this is due to the fact that, in the first place the management of the State bureaucracy

has not achieved any good results, and secondly, the heavy metals industry together with the coal industry have formed the strongest power in most capitalist States. In France, England, and America, coal and iron, as well as railways, are the highest peaks of capitalism. The loss of these possessions would break the power of the financial magnates. If the railways have for a long time been nationalized in Germany and Austria, in spite of capitalist opposition, this is to be ascribed, not to the power of the working class, but to militarism, which required this instrument for making war and was even stronger than the great capitalists. In the seventies of the last century, when most of the Prussian railways were nationalized, capital was not so powerful as it is to-day. Railways were constructed as State enterprises in many economically backward countries, because it seemed there was slight chance of their becoming a lucrative property. But in the military monarchies, the great capitalists became reconciled to the State railways out of regard for their native militarism.

Now after losing the world war, when the German railways have lost any military significance, the great German capitalists are attempting to lay their hands on the State railways. Now it devolves on the workers to defend the State ownership of the railways for other than military reasons.

If the socialization of coal be joined to that of the railways, the socialization of iron will be involved as a consequence. On this ground the decisive battles of socialization will be fought.

For this purpose Social Democracy will need to exercise great power in the State. So long as the workers are divided, and we have to tolerate temporary coalition Governments, the socialization of coal and iron is scarcely to be expected.

We do not rely on coercion and confiscation in order to eject capital from its domain. But it is absurd to expect this achievement from a social democratic party so long

as it does not exercise political preponderance in the State, that is, so long as it is without the support of a decisive majority of the population.

The workers will have to exert their greatest energy in order to wrest from capital coal and iron, and in England and America, railways. When this has been accomplished, the further extension of socialization will still present great economic difficulties, at least in the case of certain types of businesses. But so far as it is a question of power, socialization will then be a decided question.

If socialization should prove economically advantageous in the three provinces above mentioned, nothing could impede its progress in a State dominated by the workers.

We may therefore expect that iron and railways will form a continuation of the vertical structure ; that branches of the iron-using industries will be joined on to iron production, and that the railways will commence to manufacture their own locomotives and carriages in State workshops, which should still retain their autonomy. In order not to extend our discussion unnecessarily, we leave out of account the impetus to socialization which should come from the electrification of railways and the nationalization of water-power.

If the railways as a jointly-controlled undertaking are inspired by a socialist spirit, their administration will proceed even further. Uniforms are necessary for a number of railway servants who ought to be recognizable as such by the public. It would be most desirable to entrust the provision of these uniforms, not to private firms, but to the trade union of tailors, which would thus perform the functions of a guild, in the sense of Guild Socialism.

Again, the utilization of the bye-products of coal carries us into the province of the chemical industry.

Municipal socialization will proceed on the same lines. From the municipalization of bakeries would follow that of the mills which supply the flour. From thence to

the socialization of the flour trade, either through a municipal or a co-operative agency, is only a step. It goes without saying that the municipal roads, as well as the State railways, will be constant purchasers of the products of the State ironworks and carriage workshops.

Where the requirements of the public works of a municipality are not by themselves sufficient to keep a factory running, it would be necessary to form a union of municipal undertakings of the same type, for which a socialized factory would work, which either belonged to the State or to the united municipalities.

A great and fruitful task will devolve upon the municipalities under a Labour regime in connection with housing. The municipalities will be induced to entrust much of this work to building guilds. The municipalization or nationalization of cement and tile works would follow as a matter of course.

Next to the housing question, the socialization of the health service will be one of the important tasks of a Labour regime, and the solution of this problem will benefit not the workers alone, but the entire population. The organization of the public health service would transform the sale of medicines from a private into a socialized function. On the other hand, there would be a tendency to manufacture drugs as far as possible, which again would overlap into the chemical industry.

The third great task in the interest not merely of the wage-earners, but of the great majority of the people, which we may expect to be performed by a Labour regime, is the elevation of the general level of culture, especially through the extension and improvement of education. Differences of opinion among the population, especially political or economic, are not to be neutralized by the propagation of a State opinion.

In the year 1869 Marx made the following statement during a discussion upon education in the General Council of the International :

" Political economy and religion ought not to be taught

in the lower grade schools, or even in the higher schools; adults should be left to form their opinions on these matters, about which instruction should be given in the lecture hall, not in the school. Only the natural sciences, only truths, which are independent of party prejudices, should be taught in the schools" (Report of the London *Beehive*).

It is characteristic of Bolshevism that it not only orders Communism to be preached as the State religion through the State organs in the school and in the press, but that it strictly forbids the expression of every other opinion within its sphere of influence. Such a proceeding is intelligible on the part of rulers who believe they are in possession of an absolute truth revealed by the divinity. It is a monstrous attitude on the part of men who assert that they take their stand on the basis of modern science.

It will be the duty of the educational institutions of the State and of the municipalities to provide those who seek instruction in these institutions with writing materials, lesson books, and classic works without payment.

A community which does not hold private profit in superstitious reverence will as a matter of course seek to supply this huge need through its own socialized factories. When we remember how enormous is the present-day State and municipal consumption of stationery, the increased consumption for social purposes would of itself lead to the socialization of the paper works.

In addition to the foregoing, there will of course be an extension of the productive activities of the co-operative societies. In many cases they will be the appointed agencies for bringing the finished products of State and municipal enterprise to the consumer.

Thus the network of socialized production for the purpose of supplying the needs of the population in the State will extend from year to year. The sphere of capitalist production will be subject to continual contraction, and this mode of production, through the increasing economic pressure and competition in the labour market exercised

by socialized production, will be more and more obliged to adapt its own conditions of labour to those of the socialized model undertakings. The functions and the significance of the works committees in the capitalist undertakings will continually increase, as will also the influence exercised upon them by the consumers' organizations. This process will be accompanied by an increasingly effective supervision of the process of production as a whole and by the compilation of more precise and comprehensive statistics of production and consumption, as the socialized branches of production will be public institutions without business secrets.

We cannot yet foresee how long this process of development will last. We cannot yet predict with any certainty that all production in the future will be socialized. A large part of artistic and scientific production will be reserved to personal enterprise, although even in this province division of labour and co-operation will become a growing factor.

Apart from the production of isolated poets, composers, and painters, undertakings served by wage-labour will be able to exist in the midst of a socialistic society. But they would inevitably be of a different type from the undertakings of present-day capitalism, inasmuch as they would only be appropriate to those branches of industry in which the individual business did not require large capital so much as a dominant personality, a personality who would attract supplementary workers and offer them at least as good conditions of employment as the socialized undertakings. The business manager would then owe his position, not to the capital at his disposal, but to his personality, and his assistants would not be drawn to him through their economic necessity.

In the course of socialistic development, new experiences will be gained, and new problems and fresh possibilities will arise, the nature of which we have as yet no suspicion. They will add to the infinite variety of the forms of production which we can even now foresee, and which grow

out of the wide ramifications of the division of labour upon which industrial capitalism is based. Although we aim at abolishing class antagonisms, it is not our desire to impose uniformity upon production or consumption. Such a step would be retrograde.

It is of course quite impossible to foresee the pace at which socialization will proceed in any particular country. Accurate as the Marxian prophecies have proved to be in respect of the direction of development, they have frequently been erroneous as to its pace. Historical development is generally more protracted than theory would lead one to expect, as the theorists are never in a position to take into account all the disturbing interludes that arise.

In any case, socialization will proceed all the more quickly, the more intelligent the workers are, the better they understand their problems, and the more capable they are of solving them.

In this respect important work of preparation may be done in the works councils, which should not merely be regarded as strategic positions or as a means for harassing capital, but above all as training centres for acquainting the workers with the problems of industry and the best methods of conducting it.

We have already referred to the fact that the capitalist world is not a good school for the development of the communal sense, at least as far as the workers are concerned. The class struggle, it is true, arouses strong feelings of solidarity, but only for the purposes of the struggle. In the case of some workers, the class struggle merely strengthens the feeling of solidarity with the Trade Union, in the case of others the feeling of solidarity with the whole class, but this would not necessarily create a strong communal sense towards the State and municipality. The State has hitherto appeared to the workers in the light of an opponent. Not until they have captured the State will their communal sense towards it become stronger. At the outset of socialization, it would not be advisable to expose the communal sense of the workers

towards the State and municipalities to very severe tests, particularly in economic matters. Great struggles evoke great passions, heroisms, and selfless devotion. The leaden routine of daily toil in the workshop is not a fertile breeding-ground for great virtues.

Owing to the peculiarity of their Marxism, the Bolshevists sought to stimulate the defective communal sense of their workers by flaming moral exhortations, which of course did not have the slightest permanent effect. Then they resorted to compulsory labour. For these revolutionaries, as well as for the philistines, moral proverbs and the police force are the means for creating virtue.

Although a highly developed communal sense on the part of the workers would assist the success of socialization, we have to recognize that this depends upon factors which we are unable to create at will. What we Socialists can do in any case is to spread economic knowledge among the workers.

The more the workers recognize the force of economic laws, the more completely they are acquainted with the economic conditions of their own country in particular and of the world in general, the more clearly they perceive the limits of what is immediately practicable, the less likely will they be, once they have captured economic as well as political freedom, to act like school children who shirk every task and are ready for every prank the moment the master's back is turned; and the more likely they will be to behave like responsible men, resolving of their own free will to perform whatever tasks are required.

IX

AGRICULTURE

(*a*) Woods and Forests.

In speaking of socialization we have hitherto only had in view the means of transport, the mines, and industry in the narrower sense of the term. We have left agriculture entirely out of account. And yet in many States it still comprises the largest section of the population, and even in the most industrial States it forms the largest of all branches of production. Thus 9,732,000 persons were engaged in agriculture in the German Empire in 1907, while only 1,905,000 persons were engaged in the next largest industry, the building industry, and 1,086,000 persons were engaged in the engineering trades, and 936,000 in the mines. In England and Wales, on the other hand, only 1,260,000 persons were engaged in agriculture in 1911, as against 2,214,000 engaged in commerce.

But agriculture in general, if not native agriculture, forms the basis of existence for the entire population, the purveyor of its means of subsistence and many of its raw materials. If agriculture fails, we starve. This has been recently shown by the Russian Empire in the most appalling fashion.

Under these circumstances, it goes without saying that if the workers are to take their fate in their own hands, that is, if they are to exercise control over their sources of life, they cannot afford to ignore agriculture, but must seek to incorporate it into their system of production for use.

The socialist parties of various countries have had agrarian programmes for a long time past. But their chief

contents have been a list of demands, which Social Democracy is obliged to put forward in the interest of the country population. They have mostly been electoral programmes. Now that we are on the threshold of political power it is necessary to proceed further. It is not enough to ask: what have we to offer the peasants as they are? We must add to this the question: what can we do to render agriculture directly serviceable to society?

Here we encounter difficulties which are not presented by the other branches of production. The need to socialize agriculture, to transfer the production of foodstuffs from the domain of profit to the domain of communal service, is an urgent one. But where peasant economy is preponderant, this need arises from the necessities of the majority, not of the country, but of the town population. Even when many wage-earners are engaged in agriculture, the desire for individual small holdings is stronger than the pressure towards the socialization of their branch of industry.

Moreover, it does not merely depend upon the need that exists. Without need, without determination, nothing can, of course, be created. But it is a great mistake to imagine that the will alone is decisive, and that one needs only to will something strongly in order to carry it out.

Determination is effective only when it is reasonable, that is, when it is bound up with a clear perception of the material conditions for the enforcement of what is determined upon.

Now we have seen that in the other branches of production the conditions for the realization of Socialism are as well developed as the need for it is urgent. In agriculture, on the contrary, the march of economic development produces neither the one nor the other in adequate measure. We are constrained to admit that in this sphere large-scale undertakings have not yet supplanted small holdings.

This is a menacing reef for Socialism.

These remarks do not apply to one branch of production which is reckoned as a part of agriculture, but which has

its own laws, deviating from those of agriculture as they deviate from those of industry. This branch of production is afforestation.

Here the need for socialization as well as the conditions for its realization already exist to a large extent.

The maintenance of forests at certain points is of extreme importance for the climate and the humidity of the soil, alike for agriculture and for river navigation.

Moreover, private property in land is by no means favourable to the maintenance of forests.

Capital everywhere seeks to be turned over as quickly as possible, for the more rapid the rate of turnover, the greater the mass of profit yielded by an equal sum of capital within a specified period. Now afforestation is a very protracted process, often lasting a hundred years, and in the case of oak-trees it may extend over two hundred years. Where is the man who will invest his capital in order to pocket a profit after such a long period ?

When a private person acquires a forest, he denudes it of trees. Instead of planting new trees, he will try to make a different use of the land, which would yield a more rapid, perhaps an annual, income, if the constitution and position of the soil favour this course.

The tendency of the capitalist system, therefore, is to destroy the forests, at least where forestry is under a profit-making regime. This is not everywhere the case, as forests have always been a favourite object of luxury for the wealthiest and most powerful people in the country.

In addition to the wood they yield, forests afford shelter for wild animals, and next to war, hunting has ever been the favourite pastime of the feudal lords and their successors. In feudal times, the ruling classes attached great importance to the upkeep of the forests and the breeding of wild animals.

From the peasants' standpoint, forests teeming with animals were harmful, as the animals devastated the crops. The peasants resented the employment of good agricultural land for forestry, and the thrifty citizen

also resented the waste implied in the existence of forests and wild animals in countries which were adapted to a higher state of cultivation.

This is one of the reasons why the defeat of feudalism by capitalism and democracy was disastrous to the forests. Yet this was not the case everywhere nor for long, as the growth of the capitalist system was accompanied by an increase of the mass of surplus value which goes into the pockets of the capitalists, and enables the rich to enjoy luxuries. The richest of the rich were therefore able to permit themselves the costly luxury of acquiring forests as hunting-grounds. They even went so far as to purchase cultivated lands in many countries, in order to break them up and transform them into forests. This was frequently the case in the Alpine districts. At an earlier period, the arrogant landlords in the Scottish Highlands had transformed the holdings of industrious peasants into deer forests.

Under certain circumstances, such an increase in the area of land under afforestation may be as socially harmful as its diminution at other points.

In capitalist States, forestry is usually subject to State regulations, which are often very strict, and the need for the State regulation of forestry has become apparent almost everywhere. No less than the need are the conditions for the State control of forestry exceptionally well developed.

Forestry by its nature requires large-scale operations, and often extremely intensive culture. In 1907 the area of the German Empire under afforestation amounted to 13,876,000 hectares, while the number of persons engaged in forestry and hunting only amounted to 126,000. Thus one person was employed for each hundred hectares of forest.

Large-scale operations are the rule. In 1907 the land under afforestation was divided into the following classes :

	Hectares.	Per Cent.
Over 1,000 hectares	6,693,000 ..	48·2
100 to 1,000 hectares	3,382,000 ..	24·4
Under 100 hectares	3,800,000 ..	27·4

Thus three-fourths of the undertakings were large-scale undertakings.

State afforestation has continued to show good results, in spite of the handicap of bureaucratic control. If this service were invested with a greater degree of independence, and if the workers and the consumers were granted a greater influence over its management, even better results would follow.

In 1895 the State forests in the German Empire comprised 4,741,000 hectares, or 34·5 per cent. of the entire area under afforestation. By 1907 they had increased to 4,958,000 hectares, or 35 per cent., while the other forests decreased by 47,000 hectares.

In addition to the State forests, there are the municipal forests, which comprised 2,287,000 hectares, or 16·5 per cent. of the area under afforestation, in 1907. State and municipal forests combined amounted to 51·5 per cent., or more than one-half of the forests.

Consequently the forests in private hands are already in the minority. The machinery for their nationalization is already in existence, and it would involve but little trouble to transfer them from private hands. This could be effected rapidly and easily, as it is only a question of power. If the operation were skilfully managed, it would find support among the masses not merely of the town, but also of the country population, in which the old traditions of common property in woods, watercourses, and meadows still survive. However tightly a peasant clings to his holding, he would have no objection to offer to the nationalization of the forests of the great lords.

The victorious Labour Movement will have to undertake the socialization of forests as one of its first tasks.

(*b*) The Common Ownership of Land.

With agriculture proper conditions are not nearly so favourable as with afforestation. Yet we must here distinguish between the ownership of land and the utilization of land. There are social conditions under which the

ownership and the working of the land are closely bound up together, so that the socialization of land presents the same difficulties as that of agricultural undertakings in these cases, and both processes must be executed at the same time.

But this is by no means the case under all circumstances. Under conditions of occupancy, land ownership and farming are visibly separate things. Immense estates may be split up into tiny holdings, as was to a large extent the case in Italy and Ireland.

Farming is a vital function which cannot lightly be tampered with. On the other hand, the private landlord, divorced from farming, is the most superfluous member of society. But as this superfluous person holds a monopoly of the sources of life of society, he may also be the most dangerous member of society at the same time.

Where the landowner is not a farmer himself, but merely the landlord of the tenant who cultivates the soil or superintends its cultivation, it becomes an urgent interest of society to put an end to the dominant position of the landowner. Generally, the tenant desires to be a landowner himself, and this desire is favoured by the Liberal outlook.

But in a highly industrialized country like England even middle class Radicalism has found another solution to the land question, which it has raised into a political demand: the nationalization of the land. Tenancy is not to be abolished, but the farmer is to become a State tenant.

This object is very appropriate to a proletarian socialist party which aims at the abolition of private property in the means of production, and cannot leave out of account the most important means of production, if there is a possibility of nationalizing it. This is the case to a large extent in those countries where the tenancy system is prevalent. As landlordism exercises no economic functions in such countries, nationalization of the land could be carried out at one stroke. The method of gradual

progress is as much out of place in this case as in that of the abolition of feudal rights. In fact, the abolition of this type of land ownership may be regarded as an echo of the Middle Class Revolution, the methods of which are appropriate for this purpose.

Accordingly, it would not signify any disturbances to the social processes of production if such landed property were expropriated without any compensation. In individual cases, considerations of cheapness or political wisdom might plead against this course. With this we need not here concern ourselves. In any case, no economic necessity exists for compensation. Landlords of this type exercise no economic functions whatever, through the suspension of which the process of production could be endangered.

But these observations unfortunately apply only to countries where the tenant system is prevalent. This is one of the circumstances that will facilitate Labour's economic revolution in England.

Next to coal, iron, and railways, perhaps even before them, a Labour regime in England would be able to nationalize, by way of expropriation, by far the greater part of the land, agricultural and urban, by this means gaining control of the most vital elements of the economic life. It would be able to transfer the land to the State without paying any great compensation, and thus at one stroke would tap enormous sources of revenue, which could be at once applied to urgent social services.

The position is quite different in most of the States of the European Continent as well as in the United States. Here the majority of the owners of land are also its cultivators. Moreover, they form a numerous class, which is strong economically and, under democratic institutions, strong politically. To assail their property in land would be extremely dangerous from a political point of view, and would be hardly possible economically without grave disturbances, which would be most detrimental to the feeding of the masses of the people, especially the urban

population. Even the simple nationalization of the large estates would, under these circumstances, be a very daring operation, which must only be attempted if the socialization of the land could be accompanied by the socialization of its industries, and this is not a simple matter, as we shall see.

In such countries, an immediate nationalization of the whole of the land without compensation, accompanied by the transformation of all the farmers into State tenants, is out of the question.

Nevertheless we should aim at a progressive nationalization of the land, which could be commenced as soon as we possessed the necessary power and before conditions were ripe for the socialization of the farming industry.

Such a progressive policy of the nationalization of the land, without confiscation, could be applied by conferring upon the State a right of purchase whenever a piece of land or an estate were alienated. Landed property to-day is very mobile, and land sales are of frequent occurrence. Every alteration of ownership would be a means of augmenting the State ownership of land. Even if the State did not immediately proceed to set up a socialistic economy upon the acquired property, for which peasant holdings would be far too small, the mere ownership of the land would be an advantage both to the State and the community. It is true that at first the rent which the State tenants would have to pay would only suffice to cover the interest on the purchase price paid by the State. But we live in a period of rising rents, and each further increment of ground-rent would go into the coffers of the State, and not into the pockets of private landlords.

There is the further advantage: The later process of socialization will be all the easier, in the degree that the State has to deal with farmers as its tenants and not as free landowners.

In spite of these advantages for the State, the other parties to the transaction would lose nothing through the exercise of the right of purchase. To the seller of the

land it is a matter of indifference whether it is a private person or the State who pays him the price he asks. But the farmer who succeeds the seller also derives an advantage from the fact that it is not he who finds the money.

The solid farmer saves the purchase money if he is merely a tenant instead of a purchaser, and may then employ it either in the better equipment and more intensive cultivation of his fields, or in the leasing of a larger farm than he would have been able to purchase. Both alternatives would lead to an increase in his income, while the former would promote the development of the productive forces of the country.

In this way we should be able to enforce a progressive nationalization of the land in countries without the tenant system.

But important as this may be, we are not merely land reformers. We could not rest content with these measures. We should have to make efforts to link up farming with our system of production for social requirements. And this will be a hard nut for us to crack.

(*c*) The Socialization of Large Estates.

The socialistic regime would encounter its greatest difficulties when it commenced to attempt to socialize agricultural undertakings. In this sphere capitalist development has so far performed so little work of a preliminary nature that there are Socialists who doubt whether agriculture can be socialized at all, and would like to confine Socialism to industry.

Yet even they would have to admit that the continuation of the existing property relations on the countryside would be incompatible with socialistic production. Their method of putting a stop to the exploitation of wage-labour in agriculture is to break up all the big estates, and to reduce the whole of agriculture to small holdings.

If the social revolution in the towns were to be accompanied by such an economic reaction upon the countryside, the consequences would be catastrophic, as

the system of small holdings would not permit the production of considerable surpluses, if of any at all.

What is here stated receives confirmation from a report which Dr. E. Rabbethge submitted to the Socialization Commission, of which he was a member, in March 1922.

In this report it was estimated that the yield of small and medium agricultural holdings just suffices to feed the peasants and the population of the small towns of Germany. The population of the large towns (20 millions) and the cultivators of the large agricultural estates (3 millions) depend for their food upon the produce of these estates. The large estates feed on an average five persons per hectare, while the small and medium holdings only feed two. The difference is even greater when we consider the intensively cultivated large estates, which produce per hectare food for about nine persons.

If all the large estates were broken up, the same area would only feed about 9 millions of people, instead of 23 millions. The remaining 13 to 14 millions would be obliged to starve, and the cost of living would increase so far as the others were concerned.

These 13 to 14 millions, who would be compelled to starve or to emigrate, are precisely those who embody modern civilization in Germany. To split up agriculture into small holdings would signify a relapse into barbarism.

The recent ruin of the large estates in Russia by the depredations of the peasant rebellions, and then the ruin of the more prosperous peasants through the exactions of the committees of village poverty, have brought about the dire privations of the present hour, which were considerably accentuated, although not solely caused, by the drought and bad harvests. To these factors must be added the devastating requisition forays of the Red Army, in order to complete the picture of poverty.

Forcible requisitions on the part of soldiers or hungry workers would, in our case, lead to immediate disaster, if the system of small holdings did not yield a sufficient surplus, and, in spite of democracy, the outcome might

be civil war. Under democratic institutions, capital is deprived of the means of making civil war, unless it can command the assistance of the peasants. The only menace to a socialist regime would come from that quarter. Moreover, as corn would be requisitioned of the peasants, the effect would be to discourage them to produce foodstuffs, and the situation of the workers would be worsened through such a policy of coercion. Nothing could be more disastrous than this method of solving the agrarian question.

We must not overlook an important consideration. It should be the aim of socialist economy to lighten the labour of the individual as much as possible. This is possibly more important to many workers than an increase in their material enjoyments.

Now small holdings can only be maintained through the greatest exertion of those who work them. The abundance of tasks which small holders have to perform leaves scarcely an opportunity for rest or holiday. One of the reasons for the sharp antagonisms which to-day exist between the peasants and the industrial workers is that, whilst the worker enjoys a reduction in his hours of toil, the servitude of the peasant does not diminish. In consequence, many of the old peasants cherish a grim hatred towards the idlers in the town, whilst many young persons seek to escape from the aridity of country life and its over-work by flocking into the towns. The flight from the countryside was one of the most striking social phenomena in the decade prior to the war. It will set in again as soon as we have overcome the consequences of the war and reverted in some measure to normal economic conditions.

This phenomenon constitutes a most serious threat to agricultural industry, and consequently to the sustenance of the entire population. The danger would become much greater in a socialist society, if socialization and its advantages to the workers were confined to those engaged in industry, whilst those engaged in agriculture were left in the old groove.

The existence of the socialist society would be seriously jeopardized by this position.

For various reasons, the breaking up of the large estates would be a shattering catastrophe for a socialist society. The socialization and the utmost expansion of the large estates would form an urgent necessity.

Now the socialist champions of peasant economy may answer: it is not sufficient to want a certain method of production in order to bring it into operation. The conditions for such a mode of production must first of all exist, and peasant economy is not being undermined by the economic development.

It is to be observed first of all that the direction of economic development does not favour peasant economy. The relationship between large estates and small holdings in agriculture has undergone little change for some time. Moreover, it is not merely a question of economic, but also of technical, development, and this demonstrates more and more the superiority of large estates. If large estates did not prove to be a more productive type of undertaking, then of course any attempt to maintain them within the framework of Socialism would be hopeless as well as superfluous. It is the technical inferiority of small holdings which renders peasant economy incompatible with the existence of a socialist society.

If we should be unable to proceed at once to socialize the whole of agriculture, the socialization of the large agricultural estates would still be one of the most important tasks of a socialist regime.

But even this limited problem does not admit of an immediate solution.

The development of agriculture is so different from that of other branches of production that not only do large undertakings make slow progress in this sphere, but in addition they remain inferior to industrial concerns in their structure. For example, joint-stock enterprise has made practically no headway in agriculture. A few giant farms in North America and in Argentina have been converted

into joint-stock companies, but these companies were founded more for the purpose of land speculation than for that of agricultural production, which they carry on as extensively as possible. Syndication, again, has only been adopted to a slight extent in agriculture. This fact is to be ascribed to the peculiar character of the industry, and not to its managers. The same gentlemen who will not permit the independence of their own agricultural undertakings to be impaired, are ready enough for syndication in spheres which touch both agriculture and industry, such as the production of alcohol and sugar.

Thus the preceding economic development has created less favourable conditions even within the large agricultural concerns than in many branches of industry and mining. If, for example, the socialization of the entire mining industry and not of isolated pits seems to be the most rational form for this transaction, socialization upon such a scale would be out of the question for agriculture. A start will have to be made with the socialization of isolated estates, which offer particularly favourable conditions, in order that the process may be gradually extended on the basis of the experience thus acquired.

In this connection the backwardness of the land-worker will form a great obstacle. The town offers the worker so many stimulations and opportunities for education that he is able to some extent to make up for the defects of the education he received at school. In the country these stimulations and opportunities are lacking, and he easily forgets the little that he learned at the very inadequate village school. Thus his reading and his companions, as well as his union activities, are easier to supervise, and this is one of the reasons why the organization of land-workers has hitherto proved so difficult.

Of course, this need not always be the case. It is to be expected that the land-workers' movement which arose in many States either during the war or after the revolution will develop great vitality. In any case, the land-workers will remain far behind the great majority

of their comrades in industry in the matter of political knowledge and general education, and this fact will not facilitate the introduction of self-government into agriculture. An energetic trade union organization of land-workers, in conjunction with properly functioning works committees and a big improvement in village schools—these are the preliminary conditions without which no beneficial democratization of any large agricultural undertakings which may be acquired and socialized by the State or by urban municipalities can be expected.

In any case, it would seem that a well-educated class of land-workers is at least capable of conducting agriculture upon co-operative lines, whether productive co-operation, the guild, or the jointly-controlled undertaking proves to be the most suitable form. The latter form seems to be the most appropriate, as it nips in the bud all antagonisms between producers and consumers.

On the other hand, some very encouraging experiments have been made in agricultural co-operation. It is true that the Russian agricultural communism of the Bolshevists in all its forms ended in failure.

"Everything seemed to favour the experiment. And yet by the beginning of 1919 nearly 83 per cent. of the communes (founded in the summer of 1918), and towards the middle of 1919 the remainder, collapsed" (Lecture by Professor Bulowetzky contained in Appendix to Tugan Baranowsky's *Die kommunistischem Gemeinwesen der Neuzeit.*

But this failure does not prove that the nature of agriculture is opposed to co-operative enterprise; it proves rather that the Bolshevists apply themselves with incredible clumsiness to everything that is not connected with the organization of force, with the Red Army, and with the omnipotence of the police.

Various agricultural co-operative undertakings have sprung up in Italy during the last generation. In 1906 there were 108 co-operative societies devoted to agriculture, of which 88 were in full swing, and 20 in course of formation.

Of the 88, there were 18 real productive undertakings, which cultivated a total area of 1,873 hectares, each forming a large estate of an average size of 100 hectares.

In addition, there were 70 co-operative societies which had combined to lease land which they apportioned among single families for cultivation.

In the year 1912 a German investigator reported that the results of co-operative leasing were generally regarded as absolutely favourable, and so far no failures had been registered.

The number of such agricultural co-operative societies increased from 108 to 400 between 1906 and 1922. The area they cultivated nearly quadrupled.

Noteworthy, too, is the series of religious communistic colonies which flourished in the United States during the last century and successfully practised co-operative agriculture.

Under the influence of Robert Owen, a certain Mr. Vandaleur embarked upon a co-operative experiment at Ralahine in Ireland, which achieved impressive results. Unfortunately, Mr. Vandaleur was a gambler, and when he became bankrupt, his creditors destroyed the co-operative society.

A similar fate befell the first co-operative leasing society in Italy, which thrived for a time and then collapsed with the failure of the landowner. We quote the following account from Preyer:

"In the year 1886, the deputy Dr. Morl, a rich landowner in Stagno, Lombardy, leased a property comprising 100 hectares to a number of peasants, who formed themselves into a co-operative society. The lease was at first for a period of two years, and was then to be renewed upon the same conditions. The proprietor, however, was unwilling to renew the lease at the expiration of the first period. He was influenced by the reproaches of neighbours, who feared that the socialistic experiment would create discontent among the peasants and land-workers of the countryside. It is very regrettable that the lease was not renewed, as the experiment proved a success in every

way. In the first year the society paid a small dividend to its members in excess of their usual wages, and in the second year this dividend amounted to 100 lire for each member. Besides his fixed rent, the proprietor received a bonus which was as large as that of all the co-operators put together. The economic advantages were not less obvious. Whereas previously the peasants had cultivated the land in a negligent fashion, now that their own interests were at stake, they shirked no effort to increase the produce as much as possible. The members of the co-operative society were the workers employed on the land by its former tenants."

All this vividly recalls Ralahine. But Ralahine left no trace. On the other hand, the Italian experiment of 1886 soon found imitators who were not dependent on the whim of a rich philanthropist. These co-operative leasing undertakings were founded by the local trades councils.

To these modern examples must be added numerous instances from former times. Large agricultural estates, cultivated by large households, were formerly a very successful and widely spread type of agricultural enterprise.

All these co-operative undertakings were based on primitive conditions. It is typical that Ralahine was situated in County Clare, one of the most backward parts of Ireland, and its workers were drawn from the lowest class of the Irish people. On the other hand, it is noteworthy that the communistic colonies which successfully practised co-operative agriculture consisted of deeply religious peasant sectaries, who were free from the influence of modern thought, whereas those colonies which originated from modern socialist thought, and were founded by cultivated persons on the basis of Owenite, Fourierist, or Cabetist doctrines, came to a speedy end.

It would therefore seem that co-operative agriculture presupposes a condition of barbarism, and is impossible among modern educated men.

What is the cause of the failure of the modern communistic colonies? It was due to a large extent to the

fact that these colonies were situated in remote deserts, where the colonists hoped they would be secure from the disturbing influences of capitalism. This removal from the stimulating influences of civilization is in the long run detrimental to every cultivated man. Moreover, the colonies of modern Socialists were founded, not by peasants, but by townsmen, who were unaccustomed to field labour and were bound to weary of it within a short time. As soon as the first excitement of novelty died away, and the enthusiasm evoked by the great goal of the enterprise had been damped by the daily round of monotony, the colonists began to yearn for the districts they had left. This alone would explain why the colonies of this type fell to pieces after a few years. It does not, however, explain why quarrelling and bickering so frequently disturbed their life.

This may be traced to a phenomenon which has received very little attention, to the close connection of the household with agricultural operations.

While handicraft is by its nature a production of commodities which the producer does not need himself and which he parts with to others in exchange for products which he needs, agriculture has for a long period been almost entirely production for consumption by the producers, especially as regards the smaller undertakings.

Business and domestic life are, therefore, closely and organically bound together in agriculture, while these two spheres are entirely separated in industry.

The evolution of the household does not follow the same lines as the development of business. While the latter tends to become ever larger, the former tends to grow ever smaller. In former times the individual could only survive as a member of a great community, but the more the monetary system developed, the more independent the individual became of the great communities into which he was born. Henceforth the family tended to be reduced to one married pair with their young children.

This tendency, which is general in capitalist society, leads to a greater independence of the individual. It

becomes so strong as to outweigh the economic drawbacks which attach to small establishments as compared with large establishments, even in domestic matters.

It is true that attempts are made to confer the advantages of a large establishment upon the household, at least in the towns, but this is not done through the amalgamation of several households. It is effected by depriving the small household of its economic functions one after another, and replacing them by general institutions, which lighten and simplify household labours.

In industry the progress of the large-scale undertaking has not been impeded by the diminution in the size of the household.

In agriculture, where family life and business are closely connected, this diminishing process operates in quite a different manner. It has destroyed the large families, and replaced them by numerous small households. But it has been accompanied by a strong impulse towards the partition of the large estates into small holdings, and considerable obstacles have been offered to the penetration of the large undertaking, whose technical superiority is not so obvious here as in most of the branches of industry.

Where the large undertaking has gained a footing, it has been accompanied by a large household, consisting of numerous unmarried male and female servants. Even the workers employed on the large farms who have founded their own families are largely dependent for maintenance and accommodation upon the farmer.

A similar kind of dependence also existed in the communistic colonies. For modern men, however, it is quite intolerable. If we allow it to continue, it would undermine all our attempts at agricultural co-operation.

Consequently, the more a Labour regime would endeavour to impart a modern education to land-workers, the more it would be obliged to provide them with dwellings worthy of human beings, which would make their households completely independent of their business. Only when the small household is organically separated from the large

farm will the latter be compatible with the existence of an independent and intelligent class of workers.

This is clearly shown by the Italian example. In contrast to most other countries, large co-operative undertakings in agriculture have flourished in Italy, in spite of the fact that the conditions for them were not very favourable. For these enterprises serve a very limited producer's interest rather than a consumer's interest. They were not established in order to produce cheap foodstuffs, but to relieve unemployment among the land-workers. Consequently, the employment of machines is rejected in cases where it would render labour-power superfluous. But a large enterprise without machines is scarcely superior to a small holding.

If, despite these facts, the principle of co-operation has been successful in Italian agriculture, this is due not least to the circumstance that, in contradistinction to the agriculture of other States, the household is to a large extent separated from the business in Italy. The cultivators of the soil are not scattered, but are concentrated in small country towns. This facilitates both socialist propaganda and trade union and co-operative organization among the land-workers.

Consequently, we find in Italy, not merely co-operative agriculture, but also a land-workers' movement of exceptional strength and tenacity.

The construction of a sufficient number of healthy and pleasant dwellings out of public resources for the land-workers, dwellings which should be detached from the farms and concentrated in large settlements, accompanied by greater freedom of movement for the land-workers, a strong trade union movement among them, good country schools—these are essential conditions for the socialization of large agricultural undertakings.

(*d*) The Socialization of Small Holdings.

Once a number of large estates is successfully socialized, it will be possible to make rapid progress with the socializa-

tion of the others. Nevertheless peasant holdings form such an important factor in the production of foodstuffs in most countries that an endeavour would have to be made to attract the peasant to socialization schemes.

Socialization is impossible for the small holding as it is. For the small holding, as well as for the large estate, a number of conditions will have to be created before it can be brought within the sphere of socialization.

That the improvement of village schools and the general raising of the level of civilization in the country are essential for the progress of the peasant to higher forms of production, needs no further demonstration.

On the other hand, the organization of the peasants into economic associations will hardly promote the cause of socialization. Hitherto such associations have mostly been organs to aid the struggle of the country producers against the urban consumers. The socialized undertaking, however, must be an organization which serves the interests of both sides.

An important preliminary condition for the socialization of the peasant holdings is the separation of the business from the household. With the small undertaking, this problem assumes a different shape from that of the large undertaking. In the latter case the form of the household requires to be changed.

In the case of the peasant, the independent household exists already. What requires to be changed is the method of conducting his business.

It would hardly be advantageous, even if it were practicable, to separate the entire peasant undertaking from the peasant household. What can be most easily detached from the household in peasant economy is field labour, and this is precisely that part of agricultural production in which large-scale operations are most advantageous and which employs most machines.

From the technical standpoint, it would not only be possible, but also extremely advantageous for the peasants of a village jointly to plough their fields and form a co-operative association for their common cultivation.

This would be no new thing. Until quite recent times we find the institution of common fields. The house and farmyard of the peasant were his private property, but the woods and meadows were undivided common property. The fields, however, formed the joint possession of the village commune. Under a developed system of peasant economy, it was not cultivated in common, but was apportioned from time to time among individual families for separate cultivation. This cultivation, however, was conducted upon a common plan. More than this was not necessary at that time, as with the simple implements then available, common cultivation would have offered no advantage.

The case is quite different in this age of steam and motor ploughing, of sowing and mowing machines. The cultivation of large adjacent areas offers considerable advantages in comparison with the cultivation of small parcels of land.

The smaller peasant often gets his land ploughed by a neighbour who has a better team or a motor.

Threshing has been carried on for a long time with foreign threshing machines, and the co-operative ownership of such machines, as well as of motor ploughs, mowing machines, etc. is no longer a rare occurrence. But the last and most important step towards the nationalization of peasant agriculture has not yet been taken. This step is the amalgamation of the separate holdings, the chief obstacle to which is the existence of private property in the land.

A beginning could only be made where private property has been abolished. It is noteworthy that the country people in Italy who have formed co-operative associations for the carrying on of agriculture are wage-workers or tenants, and not peasant proprietors.

Given a Labour regime, we might reasonably expect, in view of the mobility of landed property and the many sales of estates, that the exercise of the State's right of purchase would bring large tracts of land under State ownership within a short time. If all, or a considerable

proportion, of the peasants in a village became State tenants, the State could impose conditions of tenure which would provide for all the nationalized land to form one comprehensive undertaking, and for the State tenants to be organized in a co-operative association for the common cultivation of the State lands.

The establishment of new settlements should also proceed on the same lines. To create settlements by breaking up properly-cultivated large estates would be a retrograde step, and would jeopardize the feeding of the people. This would not, however, be the case with settlements established on waste land.

If the settlement were organized on the basis of the co-operative cultivation of common fields, it would combine the multiplication of small households with all the technical advantages of large-scale undertakings. If the settlement remained State property, each settler receiving his own dwelling-house and the cultivation of the common lands being assigned to the village commune by the State as the landlord, the latter would be assured of sufficient influence to safeguard the interests of consumers as well as of producers.

The same considerations apply to those estates which are already large-scale undertakings and which would become State property. It would not be difficult to fit them into the national economic scheme and the system of production for use, either through attachment to an urban municipality, or to the jointly-controlled organizations of mills, sugar factories, etc.

The jointly-controlled village co-operative associations would not be confined to agriculture, which would form their starting-point, once they had proved their vitality. They would be extended to cattle-rearing.

In any case, we may expect that the socialization of agriculture, based on the separation of households from the large estates and the amalgamation of the small holdings, will progress at an ever accelerated pace the larger the store of experience that is accumulated and

the greater the measure of economic success that is attained; the better the condition of the workers in the socialized undertakings and the cheaper the products sold to the consumers.

The nationalization of the land, either by confiscation, where this method may be practicable, or by the gradual purchase of private land, which will be the usual method, is the preliminary condition for the inclusion of agriculture within a socialized undertaking. But only a preliminary condition. The nationalization of land, without any change in the nature of rural economy, as many land reformers advocate, would not effect much alteration.

(*e*) Industry and Agriculture.

The socialization of agriculture will not stop with the institutions that have been described. The final aim of this movement must be the union of industry and agriculture.

Formerly both were combined in the private peasant holding, when the peasant produced nearly all the industrial products which he used. The progressive division of labour has made one peasant industry after another independent and transferred it to the towns, setting up by their side numerous new industries which have become indispensable to the peasant, even in such a backward country as Russia. The ruin of Russian industry is not least due to the ruin of Russian agriculture.

The more the farmer's work is restricted to agriculture proper, the more it becomes seasonal work, which at various times swells enormously, and then almost completely subsides. A man who carries on a seasonal trade in a town may discharge his workers in the slack season, and re-engage them when business revives. The discharged workers find various ways of helping themselves during the slack season, although they often suffer acute privations. On the other hand, most of the country workers follow only one occupation, and in the slack periods of agriculture the day-labourers can find scarcely any em-

ployment, whereas in the busiest times it is usually difficult to obtain a sufficient number of hands.

In addition to these disadvantages attaching to the migration of industry from the country to the town, population declines in the country and congests the towns. Moreover, the country population lacks the intellectual stimulations which are provided in ample measure by the towns, and a great spiritual gulf yawns between town and country, which contributes not a little to the enmity between the two.

But the towns are centres not only of a higher intelligence, but also of luxury, debauchery, and criminality. The urban worker loses his affinity with nature and runs the danger of physical deterioration. Moreover, the congestion of population in the large towns involves a growing cost of transport for its provision of food, water, and other vital necessaries, as well as the increasing expense of the removal of waste products, whose valuable manure properties are largely lost to agriculture.

This separation of industry and agriculture, of town and country, to the extent to which it has proceeded to-day, is one of the worst effects of industrial capitalism, and until the process has been reversed, the damage it has wrought will not have been entirely repaired.

Indications are already in existence which point to the transfer of certain industries to the countryside.

The first types of industries to be exploited by capitalism, both home industries and mines, originated outside the towns. When machinery was first utilized, its earliest driving power was water, whence a factory is still called in England a mill. Industry followed water-power to certain valleys. The steam machine and railways then concentrated the great majority of industries in certain towns.

Hitherto the opposing tendencies have not been strong enough to reverse the direction of this movement. It is true that a number of factories have been transported to the country, when cheap labour was to be found there. Other industries are obliged to be near their agricultural

raw materials, which for technical or economic reasons will not bear the cost of transport, for instance, sugar factories, distilleries, preserved vegetable factories, etc.

Many manufacturers have acquired land in the vicinity of their factories, in order to supply their workers with cheap foodstuffs, milk, butter, eggs, and meat.

But all these undertakings have so far been of too isolated a character to influence perceptibly the social picture as a whole ; they have been undertaken without any system, and none of them has touched the real problem : the organic connection of industrial and agricultural production.

In this respect capitalism has not performed the slightest work of preparation.

It will be the task of a socialist regime to discover by experiment the most appropriate ways for combining industry with agriculture, so that industry may not only find a location on the countryside and agricultural enterprise may not only be considered as a source of supply for industrial workers. In addition, labour-power must be so trained and organized that industrial workers will be able to assist in field labour during the busiest periods of agriculture, and the land-workers must be enabled to enter industry during the slack periods, especially in winter.

A still higher form of the union of industry with agriculture will be attained where it is found possible for every worker to be engaged regularly day in and day out for a few hours in the open air, in field labour, and a few hours in the factory, thus abolishing the soul- and body-destroying monotony of one-sided labour.

The health and interest of the workers would surely gain enormously if each of them were engaged four hours in industry and four hours in agriculture, making an eight-hour day. By the employment of three shifts, the total working time expended in both cases would be twelve hours daily.

These periods could of course be adapted to the fluctuating labour requirements of agriculture.

As we have said, experience in this sphere has yet to be acquired. It goes without saying that attempts in this direction should not follow a rigid plan. The same organization will not suit every industry, and each industry has its special location where it best thrives.

On the other hand, the towns will continue to exist as centres of State administration and of higher education. But with the reduction of the State bureaucracy and the increase of local government, there will be a shrinkage in the army of officials in the capital. Moreover, it will be possible to achieve a higher degree of decentralization in industry, the more it is systematically organized and rendered independent of the market fluctuations, and the better the transport facilities become.

What central institutions remain in the towns will scarcely involve a larger population than about 100,000 inhabitants.

On the other hand, the transfer of industry to the countryside will cause the villages to grow into small towns, as is already the case in Italy, which will again facilitate the separation of the business from the household in agriculture and the expansion of the large-scale undertaking.

The solution of this problem would cause an immense number of new buildings to be constructed on the countryside; it would require careful work of preparation, and take a long time. It can only be undertaken by a very wealthy State where Socialism is firmly rooted. In the period of transition from Capitalism to Socialism, with which we are chiefly concerned, it is hardly a practical question.

Nevertheless it may not be superfluous to have referred to the problem here, so that practical men and theorists may begin to pay attention to it and to accumulate experience, just as the experiments with productive co-operation during the eighteen-forties, although very premature and impracticable, provided us with many valuable hints.

We cannot develop Socialism out of theories which are

merely the results of speculation. These theories must be based on experience. The greater the sum of experience at our disposal, the more securely we shall be able to move into the future.

On the whole we have discovered that the socialization of agriculture presents greater difficulties and requires more preliminary work than in industry. Nevertheless, a socialist regime would not be able to defer the solution of this problem. The sooner and the more successfully Socialism is able to prove its power in agriculture, the more easily it will be able to disarm its most dangerous opponent, the peasantry.

As a physical force factor, the capitalists are no longer to be feared in an industrial and highly-developed democratic community. There the opposition between Capital and Labour is a matter of economics and intelligence, not of physical force.

The peasant, on the other hand, represents not only a powerful economic factor, but also a physical power, which, under certain circumstances, would be very obstructive and even dangerous to a Labour regime. His economic antagonism to the workers is, however, less deeply rooted than that of the workers to capital.

Even where a Labour regime would compensate capital for all the means of production which it has to cede to the State or the municipality, the capitalists are threatened with the loss of the power they have hitherto exercised. But the small peasant, who exploits no wage-earner, has no power to lose to Socialism, but rather leisure and prosperity to gain.

He does not, however, believe in theoretical assurances. He can only be won by practical object lessons. To provide him with these is of the greatest importance for us. But this must be of a different nature from the object lessons in Socialism which the Bolshevists in 1917 promised to give to the world. They must be less grandiose, less rapid, and more thoroughly prepared, so that they cannot fail to achieve the best results.

X

MONEY

(*a*) Inflation.

So far we have proceeded upon the assumption that money will continue to exist and to function. Is this correct? Will not money be abolished in a socialist society? Is not this implied by the idea of production for use? As a matter of fact, even to-day many Socialists regard the abolition of money as an essential item in the socialist programme. We have already been shown by the Bolshevists that the best means to achieve this object is inflation, the flooding of the world with banknotes, which eventually become valueless.

It must be evident from the start that, if money is to be abolished, the only way to do so is to render superfluous the functions which money has hitherto fulfilled. Inflation, however, leaves these functions untouched; it only ruins the instrument with which they are fulfilled, and thus obstructs and disturbs the entire social life.

The first and most important function of money is to facilitate the exchange and circulation of commodities. Under commodity production, each person produces that which he does not need himself, and obtains the articles which he needs by exchanging the products of his labour. or of that of his workers, for the products of alien labour.

When complete freedom of competition and of labour prevails, products which require the same expenditure of labour-power are exchanged with each other as equal units of value. The production of commodities by wage-labour instead of by the producer's own labour modifies this law to some extent, but does not invalidate it.

As soon as the exchange of commodities is effected by money, by a commodity which everybody accepts, the perpetual value of the money commodity and then of the money tokens, which represent specific quantities of the money commodity, becomes an important consideration; for it becomes possible to buy a commodity and to pay for it later. It also becomes possible to sell a commodity without expending the money received for it upon a fresh purchase. If the value of money does not remain constant, if it falls, after the lapse of some time it does not represent as much labour as formerly, and the possessor of this money has expended in vain a portion of his labour or that of his wage-workers. If I sell at its full value a commodity which embodies ten hours of work and the money which I receive only represents nine hours of work after the lapse of a month, I shall have worked one hour for nothing. If the depreciation of money is due to the printing of notes by the State for reasons that are not economically justified, I shall have worked for nothing for the benefit of currency speculators.

Inflation, or the depreciation of money, far from being a socialist measure, is a mode of taxing the people for the benefit of the State and of the speculators. On the one hand, it constitutes a tax which is more unjust, more oppressive, more disturbing, and more senseless than any other kind of tax. It is an indirect tax systematically imposed, and, in addition, is a means of enriching the most injurious elements of the capitalist class. The growing misery which is a consequence of inflation, necessarily creates the increasing wealth of the profiteer, who was neither to be put down by the guillotine at the time of the assignat economy, nor by the Cheka of the Bolshevist Terror.

Under all circumstances, inflation is a terrible evil. In a capitalist State it does not affect the workers alone, but also many capitalists. The profiteer thrives under it, but the *rentier* is plunged into poverty.

Of quite a different nature are the effects of inflation

imposed as a socialist measure in a Soviet Republic of workers and peasants, where the whole capitalist class has already been expropriated, without any kind of compensation. Here money serves almost exclusively as means of payment to workers, officials, and peasants. In that case, currency depreciation is merely a means of cheating the workers, the officials, and the peasants of a portion of their wages or of the product of their labour.

If a Labour regime should find a system of inflation already in existence, it would have every cause to attempt to end it with all rapidity. In no case could it inaugurate such a system or permit it to gain ground.

(*b*) The Abolition of Money.

Inflation, therefore, is not the proper way to abolish money. We have seen that capitalist economy is not to be removed at one stroke. So long as this object remains unrealized, it will not be possible to do without money.

Many Socialists regard Socialism as synonymous with "the end of money." Thus Dr. Otto Neurath writes on page 14 of his book *Wesen und Weg der Sozialisierung*:

"We shall eventually have to emancipate ourselves from obsolete prejudices. . . . To retain the dispersed and uncontrollable monetary system and at the same time to aim at socializing is an inner contradiction. It is of the essence of money that it cannot be controlled, and all attempts to determine the proper quantity of money have been in vain. All previous efforts of financial policy have been practically ineffectual and theoretically unattainable, because money is an unsuitable object for all these endeavours. Once the nature of money has been fully recognized, the scales will fall from all our eyes, and the development of centuries will appear as a great mistake."

The concluding lines of this extract are not quite clear. Does Dr. Neurath mean that he has at length discovered the essence of money, and that preceding generations have suffered and the history of centuries has been a mistake, because Dr. Neurath was not born before? In that case

it would be his duty to share his discovery with us, so that the scales may fall from our eyes.

Meanwhile I am unable to cast off old prejudices if they are to include the Marxian theory of money.

According to Dr. Neurath, money follows its own course, which is quite anarchical and not to be influenced by anything.

I agree with Marx, who regarded this idea as mere appearance :

" Although the movement of the money is merely the expression of the circulation of commodities, yet the contrary appears to be the actual fact, and the circulation of commodities seems to be the result of the movement of the money " (*Capital*, vol. i. p. 90).

With the character of the circulation of commodities, that of the movement of the money also alters. There is no such thing as a movement of money, which operates as a socially independent and utterly uncontrollable force.

In place of the uncontrollable monetary system, Neurath would put " natural economy." What does this mean ? At the beginnings of an economic system we find production is carried on for use. Each of the small communities of those times produced all that they needed and divided it among their members. There money would be quite superfluous.

Society progressed beyond this stage through the division of labour between various productive enterprises. Many of them now began to produce things which others did not produce but would be glad to have.

At this point the exchange of products between the undertakings commenced ; these products thereby became commodities, and their production became commodity production.

At the outset commodities were exchanged directly. When such a transaction took place, it was quite a chance occurrence.

If a carpenter brought to market various tables, chairs, and chests which he had made, and a miller brought thence a sack of flour, it was not sufficient for the success of the

transaction that the carpenter needed flour. The miller must also need a table, chair, or chest.

In the period of the direct exchange of commodities, no producer could rely upon effecting an exchange which he needed.

Each person had himself to produce all the necessary things of life. Only articles of luxury, or things for which one could await an opportunity to acquire them, came into the sphere of exchange. The division of labour between the producers was set within very narrow limits. Exchange transactions remained isolated and were an extremely clumsy process. Each person naturally tried to avoid working in vain for others. The measurement of the value of commodities according to the labour embodied in them was already beginning to take place.

But it did not systematically govern exchange; the conditions under which various commodities were exchanged for each other depended upon innumerable contingencies.

Great progress was made as soon as a commodity appeared which everybody was glad to take. Anybody who possessed this commodity could now acquire everything of equal value which came into the market.

If he possessed a supply of this commodity, he could always be sure of satisfying his needs so far as they could be satisfied by the products of other businesses which came to the market. On the other hand, everybody was ready to surrender his commodity for this generally acceptable commodity, even when he had no immediate employment for the latter as an article of use. He knew that he would always be able to satisfy a need by its surrender.

Now exchange transactions became more numerous and the process of exchange was effected more rapidly and systematically. The direct exchange of commodity for commodity now gave place to the exchange of particular commodities for the general commodity which was gladly accepted by everybody.

As a result, division of labour among the businesses grew and production for the market tended to supplant

production for use. The exchange of commodities, from being an accidental and occasional phenomenon, became a systematic process, the exchange value of each individual commodity tended to be embodied in a specific quantity of the commodity which facilitated exchange in general, and the determination of value by labour began to appear, not as a conscious act, but as an unconscious result.

The commodity which generally facilitates exchange is nothing else than money.

Although what we have just expounded is familiar enough to students of Marx's *Capital*, it must be developed once more in order to reveal the essence of natural economy.

Marx distinguishes between production for use and commodity production. From his standpoint, it is not very important whether the commodities are bartered or sold for money and purchased for money. The latter is merely a technical facilitation of the same process.

Orthodox economics makes a further distinction. It confuses the two essentially distinct economic stages of production for consumption by the producer himself and commodity production for barter under the name of natural economy. On the other hand, it distinguishes the two not essentially distinct stages of commodity production, that of barter and that of exchange through the medium of money. The first of these stages it assigns to natural economy, but the latter appears to it as a fundamentally distinct economic form, that of the monetary system.

In promising us a quite new perception of the nature of money which will cause the scales to fall from our eyes, Neurath shows himself to be far inferior to Marx in his knowledge of these matters.

Now what forms will the socialist economy assume? It will certainly not form a single factory, as Lenin once thought. In conformity with the requirements of the modern division of labour, it will fall into numerous undertakings, which in contrast to those of commodity production, will no longer be the private property of individual producers, but the property of the whole of the consumers, whose needs they will exist to satisfy.

But the producers must be allowed the greatest possible freedom in every undertaking, which will be to a large extent autonomous.

At the same time, Socialism will not reverse the process of the separation of the household from industry, which is a product of industrial development.

Now this implies that a socialist society would not be able to exist without a system for the exchange of products. Their exchange would necessarily be of a two-fold kind: between enterprise and enterprise, for purposes of productive consumption, and between the undertaking and the household, for the purpose of personal consumption.

Even Neurath must admit this. Yet he imagines that it is a requirement of the socialist principle that this exchange should be made in kind, without the intervention of money. He has a superstitious fear of money, just as one used to have of intangible things. He fears that the intervention of money would ruin everything. He envisages the return to barter, as is usual among savages, as a long step towards Socialism. He announces triumphantly:

"Wherever we look we may perceive evidences of natural economic tendencies. Barter on a small scale is sufficiently familiar to everybody. But exchange in kind is also taking place on a large scale. During the war a number of Government authorities made the supply of sugar, etc., to the peasants dependent upon their delivery of foodstuffs. How far this undermining of the monetary system, how far this rationing system promotes natural economy will not be here discussed further."

Nor need it be. What we have quoted suffices to show where we have to look for the source of the conceptions which Neurath and his like have of Socialism: from the emergency measures which sprang out of war-time necessities and disappeared with them, they generalize a whole system, which appears to them as Socialism.

It is a very peculiar idea to retain the institution of exchange, while abandoning the instrument which alone ensures the smooth and constant functioning of this

exchange, without which division of labour and exchange upon the scale they have hitherto been carried out would not be possible.

Without money only two kinds of economy are possible :

First of all the primitive economy already mentioned. Adapted to modern dimensions, this would mean that the whole of the productive activity in the State would form a single factory, under one central control, which would assign its tasks to each single business, collect all the products of the entire population, and assign to each business its means of production and to each consumer his means of consumption in kind.

The ideal of such a condition is the prison or the barracks.

This barbarous monotony lurks in fact behind the ideas of the "natural economy" of Socialism. We quote Neurath again :

" On the basis of the foregoing data, we should be able to compute how much bread, meat, accommodation, clothing, etc., could be allotted as a maximum to the individual. It would then have to be decided what provision should be made for meritorious work, heavy labour, children, the sick, and how specially important achievements should be rewarded, whether inventors, poets, engineers, artists, who had rendered great service to the community, should not be supported in institutions like the Pryntaneum of ancient Athens. The fixing of war rations has shown us that social measures of this kind are not excessively difficult."

Assuredly not, if the entire life of a civilized man is to be reduced to war rations, and everybody to have the same quantity of bread, meat, accommodation, clothes, personal taste not playing any part and distinctions not being observed, although there is to be special cooking for poets and children. Unfortunately, we are not told how many hundredweights of books are to be allotted to each citizen in the course of a year, and how frequently the inhabitants of each house are to go to the cinematograph.

Besides this rigid allocation of an equal measure of

the necessaries and enjoyments of life to each individual, another form of Socialism without money is conceivable, the Leninite interpretation of what Marx described as the second phase of communism: each to produce of his own accord as much as he can, the productivity of labour being so high and the quantity and variety of products so immense that everyone may be trusted to take what he needs. For this purpose money would not be needed.

We have not yet progressed so far as this. At present we are unable to divine whether we shall ever reach this state. But that Socialism with which we are alone concerned to-day, whose features we can discern with some precision from the indications that already exist, will unfortunately not have this enviable freedom and abundance at its disposal, and will therefore not be able to do without money.

(*c*) Socialist Money.

Although money will exist in a socialist society, its functions will not be quite the same then as they are to-day.

Its most important function under the present mode of production is its transformation into capital. Each unit of capital must commence to function as a sum of money.

If it is lent out at interest, it retains the money form, and becomes money capital. It may, however, also be transformed into commodities which are to be resold at a profit—this constitutes mercantile capital. Finally, it may be employed in the purchase of means of production and labour-power, to produce new commodities with a surplus value—this constitutes the highest form of capital, industrial capital.

Whichever forms capital may assume in the course of its circuit, it must always possess the money form at the outset. On the other hand, the opportunities for employing money as capital are to-day so very profuse that almost all money that is not destined for purposes of immediate consumption may become capital, at least in the form of interest-bearing capital.

Thus it frequently happens that money is identified with capital. Consequently, the abolition of the system of capital must involve the abolition of the system of money.

In a socialist society, where all the means of production were social property, there would of course no longer be any opportunity for individuals to employ money for the purchase of means of production, that is, to transform it into industrial capital. As the production of surplus value for private individuals would cease, the fund from which trading profits and interest are paid would likewise vanish.

The merchant will be ousted by consumers' organizations, as well as by the direct buying and selling of the great producers' organizations among themselves.

Thus in a complete socialist society all the conditions would be lacking for the transformation of money into capital.

But this fact would not exhaust all the functions of money. Thousands of years passed before a capitalist mode of production came into existence. As the measure of value and means of circulation of products money will continue to exist in a socialist society until the dawn of that blessed second phase of communism which we do not yet know whether will ever be more than a pious wish, similar to the Millennial Kingdom.

Whatever may be the lines upon which a socialist society is organized, very careful accountancy would be required. The books of each undertaking should show at any time how much it had received, how much it had expended, how much it had gained. This object would be quite impossible of attainment if the incomings and outgoings were entered *in kind*.

If a machine factory delivered a threshing machine, in return for which it was assigned, let us say, 40 pigs, 100 cwt. flour, 20 cwt. butter, and 2,000 eggs, how should we be able to tell whether it had gained or lost by the transaction, whether it had done more work for agriculture than the latter had done for it? It is manifest that bookkeeping in kind would soon lead to chaos. What

would have to be entered and always kept quite clear are the costs of production of each product, each item of which dissolves into labour in the last resort. It is only by virtue of the fact that all products possess the common attribute of being creations of labour that the quantities in which they exchange with each other can be measured. What is indispensable as a measuring instrument for the exchange of commodities is a commodity whose use-value consists in the fact that it represents a specific quantity of labour or value, and this commodity is money.

We find that money functions as a measure of value under conditions of barter.

In 3,000 B.C. the old Egyptians used copper and gold (not silver) as a money commodity and general measure of the value of products. But the commodities measured in terms of money according to their value were generally bartered.

If a bull formed the subject of one of these transactions, its value might be fixed at 119 copper utnu. It would be exchanged for a reed mat, computed at 25 utnu, 5 measures of honey at 4 utnu, 8 measures of oil at 10 utnu, and seven other articles for the remainder.

Similarly, if exchange transactions were strictly confined to the bartering of objects, the continued use of money as a measure of value and for computing the elements of every exchange would be essential in a socialist society.

Money will therefore continue to function as a means for the circulation of products, in addition to its being a measure of value.

But would the same money be necessary for this purpose as exists or ought to exist to-day, that is, money minted from a particular commodity, which is usually gold? Instead of using money as the embodiment of labour, could not labour itself be made to serve as a measure of value, involving the creation of labour-money which attested the amount of work performed?

Such a system as this might assume the form that each worker would receive a token for every hour of labour which he performed, and this token would entitle him to

the product of an hour's labour. It would be necessary to calculate how much labour every product cost. For the wages of a working day the worker would always be able to buy products which required one day to produce.

As the calculation would be accurately made, any kind of exploitation would be excluded as a matter of course, and the worker would possess complete freedom as to the method of expending his wages. The tutelage of an authority which allotted rations to an individual would thus be avoided.

I do not doubt that such a monetary system is conceivable. But is it practicable? Let us ignore the complications which would arise from collective labour or from different scales of wages, as heavy or unpleasant work would have to be more highly remunerated than easy and pleasant work. Consider what colossal labour would be involved in calculating for each product the amount of labour it had cost from its initial to its final stage, including transport and other incidental labour.

What labour ought actually to be reckoned? Not the labour which each product had really cost. In the latter case, different specimens of the same article, produced under conditions of varying favourableness, would bear different prices. And this would be absurd. They would necessarily have to bear the same price, which would have to be calculated not according to the labour actually expended, but according to the socially necessary labour. Could this be ascertained in respect of every product?

This involves a two-fold calculation. The worker's remuneration would be fixed according to the labour-time he actually expended, while the price of the product would be fixed according to the labour-time socially necessary for its production. The results of these calculations ought to be identical. But this would almost never be the case.

The proposal of labour-money is beset with initial difficulties, because it is based on a mechanical conception of the law of value.

How is the law of value discovered? By observing the

movements and relations of prices. Ever since the mass production of commodities for the market has been a systematic process, it has been noted that the prices of each commodity, in spite of all its fluctuations, continuously seek a certain level, however much they might at times be above or below it. On the other hand, it was found that the relations of the prices of each commodity to each other, amid all temporary fluctuations, showed a uniform tendency. Yet these relations and this level were not unalterable magnitudes; they did not follow the fluctuations in the state of the market; they altered only with changes in the conditions of production.

When these conditions were unaltered, the level of prices and their relations to each other do not change.

This level is described as the value of the commodity.

It was perceived long ago that the level of value of a commodity was determined by the quantity of labour necessary for its production. This doctrine was applied and refined more and more consistently until it found its highest expression in the Marxian theory of value.

No other theory of value than that of labour-value has hitherto been advanced. The theories of value which are opposed to it relate to phenomena quite different from those which the theory of labour-value purports to explain. What they conceive as value is, in part, nothing else than price. It is the superficial phenomenon, and not the determining factor.

But the subjective value of the final utility theorists is something quite different from value in the sense of a Ricardo or a Marx. The former is a relationship of an individual to the commodities which surround him, while the latter is a phenomenon which, under given conditions of production, is the same for all persons, who find it already in existence, however varied their subjective needs, inclinations, or circumstances may be.

These two kinds of value have therefore nothing in common but the name, which is not precisely an aid to clear thinking.

The value which Marx has in mind arises from and reacts upon specific conditions of production. It forms the starting-point for the comprehension of these conditions. Subjective value, on the other hand, is a relation of a single individual to the things which surround him, whether they are produced by human labour or not; it contributes absolutely nothing to the knowledge of definite social conditions of production.

For that value which Marx and classical economy had in mind, no determining factor other than labour has yet been found. The theory of labour-value has stood the test, inasmuch as it has afforded us a closer insight into the laws of capitalist enterprise than any other theory. We may therefore regard labour-value as a reality. All the same, it remains merely a tendency. It is real, but not tangible and exactly measurable. Measurements are only possible in the case of its temporary phenomenal form, price.

We are unable exactly to calculate and to fix the value of a commodity. Value is a social magnitude which can only be detected through observation of the conditions of production. The law of value operates in the following manner. Whenever the market prices of commodities exhibit wide or continuous deviations from their value, certain factors of resistance are set up, in consequence of which alterations are introduced into the conditions of production, which have the effect of counteracting the deviation of price from value.

In the light of this character of value, all attempts are doomed to failure which aim at "constituting" the value of each separate commodity, that is, to determine exactly the quantity of labour contained in it, and to issue a labour token as a means of circulation of the product thus determined. The labour involved in such an effort would be interminable. Yet the new labour token could not be allowed to function until the value of all products had been constituted.

Instead of grappling with the hopeless task of measuring running water with a sieve—and the constitution of value

would be a work of this nature—a Labour regime should retain the means for the circulation of commodities which it finds ready to hand, viz. their price expression, which is to-day measured in money, and which is only concealed and confused, but never abolished, by the most drastic system of inflation.

The appraisement of commodities according to the labour contained in them, which could not be achieved by the most complicated State machinery imaginable, we find to be an accomplished fact in the shape of the transmitted prices, as the result of a long historical process, imperfect and inexact, but nevertheless the only practicable foundation for the smooth functioning of the economic process of circulation.

Although at the outset socialization would not effect any change in this respect, the rôle of price and therefore of money will undergo a fundamental transformation within the constantly extending realm of socialization.

To-day the private producers produce for the market. They decide the quantity of products which they supply for the market, in accordance with their previous experience and future expectations. The price they must try to obtain for their products is fixed by their costs of production. But the price which they really obtain depends not upon these, but upon the relation between supply and demand.

This applies also to commodities which are not produced haphazard for the market, but are manufactured to order. The difference between these acts consists in the fact that the producer for the market may find there such an abundance of commodities that he is obliged to realize his stock at ruinous prices, whereas the producer who works to order may refuse orders which would not cover his costs of production. Yet working to order may ruin him, if the prices of the raw materials employed in the production of his commodities rise to a higher level than was to be anticipated when the price of the commodities was fixed.

The scale upon which production is continued depends

upon price. When prices fall, production is restricted, while it is extended with rising prices. The method of regulating prices is typical of capitalism. It always injures the working class, which oscillates between the two antagonistic poles of dear living and unemployment.

In a socialist society this regulation would be effected in another way. The magnitude of production and the level of prices would not be the result of anarchical production for the market. The means of production would belong to the whole of the consumers, who would then be synonymous with the whole of the workers. The whole body of consumers, in conjunction with the producers of every branch of production, would determine the scale of production and the level of prices on the basis of their knowledge of the economic conditions. Production as well as prices would thenceforth move on far more uniform lines. The workers would no longer need as consumers to suffer from occasional dearness, nor as producers from occasional unemployment.

The figures of production and of the prices of particular commodities could then deviate from those transmitted from the capitalist period, if social interest required it.

This would be a far simpler operation than the calculation of the labour-value of all commodities for the purpose of introducing labour-money.

The quantity of labour at the disposal of a given society is limited, and may not be increased at will. If the socialist society desired to extend a branch of production beyond its previous dimensions, this could only be effected by the restriction of other branches of production, unless technical improvements could be introduced. By the side of this the tendency towards the adjustment and equalization of wages would exist stronger than ever.

Thus the scale upon which a particular commodity is produced, as well as the fixing of its price, would be kept within defined limits. A fall in the price of a particular commodity would not be possible through a reduction in the wages of its producers, but only through a fall in its

other costs of production, that is, through an increase in the productivity of labour or through a corresponding rise in the prices of other commodities, which would have to yield a surplus, if the fall in that of the former commodity involved a deficit.

We may therefore anticipate that the law of labour-value would on the whole assert itself in a socialist society, in spite of the abolition of private production and of private competition.

If the institutions of price and money continue to exist under a socialist mode of production, and if socialist prices are grafted on to the historical form of price, it would also be necessary to adhere to the historical form of money, and to retain gold as the money commodity. Actual gold need not be used.

As measure of value, only an imaginary gold is necessary, or rather the value of gold. In order to calculate how many gold marks will constitute the price of a pair of boots, no gold mark need be in actual existence.

As a means of circulation, money can of course only serve when it is actually on the spot. But even here, the natural form of gold coins may be dispensed with to a large extent, and replaced by paper promises to pay.

Of course, behind the imaginary gold as measure of value and the paper money as means of circulation, gold as a commodity which has a definite labour-value will also continue to exist in a socialist society. It is difficult to see why the production of gold should have to be suspended, as gold would still be required for industrial purposes, for teeth-stopping or for ornament. It is to be hoped that the people of the coming society will not cease to delight in ornament, brilliance, and beauty.

Gold will continue to be produced, although not for minting purposes, as this function will fall into disuse. Consequently, gold will still involve costs of production and have a value, so that specific quantities of this metal will continue to serve the purpose of expressing the prices of commodities.

The monetary system is a machine which is indispensable for the functioning of a society with a widely ramified division of labour.

It is quite conceivable that a more perfect form of this mechanism may eventually be invented, which would replace its present form. On the other hand, it would be a relapse into barbarism to destroy this machine, in order to resort to the primitive expedients of natural economy. This method of combating capitalism recalls the simple workers of the first decades of the last century who thought they would make an end of capitalist exploitation if they smashed the machines which they found to hand.

It is not our desire to destroy the machines, but to render them serviceable to society, so that they may be shaped into a means for the emancipation of labour.

(*d*) The Banks.

It is not part of our plan to discuss the details of any particular sphere of socialization. But in dealing with the rôle of money in connection with socialization, a glance at the banking system cannot be avoided.

We have seen that under the capitalist mode of production, capital must assume the money form at the beginning of every enterprise and every transaction. The more money there is at the capitalist's disposal, the more comprehensively he can organize his enterprise and the greater will be the mass of surplus value which it yields him, and the better will be his prospects of emerging victoriously from the competitive struggle. Consequently every industrial or commercial capitalist strives to extend his undertaking as much as possible, and for this purpose to secure control of as much money as possible. He is not satisfied with putting his own money into the undertaking, but seeks to utilize the confidence, the credit, that is reposed in him and his property, in order to borrow as much money as possible for investment in his enterprise. He gains from this operation when the profit which this money enables him to earn is greater than the interest which he must pay for its use. And this is generally the case.

The dimensions of present-day capitalist production could not be maintained without the assistance of credit.

The function of granting credit is performed by the financial capitalists, those capitalists whose capital always retains the form of money and never assumes another form. This function is to-day chiefly performed by the money-dealers, the bankers, and no longer by the old usurers, who merely exploited the needs of embarrassed persons in order to extort exorbitant interest from them. The modern banker, on the contrary, fertilizes industry, promotes the development of the productive forces, and thus appears to be a benefactor of mankind.

But like the industrialists and the merchants, the banker seeks to extend his business beyond the limits imposed by his own capital. And this endeavour soon becomes one of his chief functions.

More than other people, the bankers are obliged to take measure to safeguard the supplies of money which they possess.

As money is a commodity which everybody accepts, it is also an object which the thief prefers to take, the more so as it is easier to transport and conceal than most other articles of use. Nobody would steal a factory of a barn. It is easier to steal the money of the manufacturer or of the farmer if they have no strong safes to put it in.

The great financial capitalists have ever been distinguished by the arrangements they make for the protection of their money.

They have every reason to do so, inasmuch as other possessors of large sums of money entrust them with these on deposit. What the bank does with the money is all the same to the depositors, provided they can obtain repayment in full whenever they demand it. The banker does not leave the money lying idle, if he has an opportunity of lending it to a trustworthy business man at good interest. Thus the deposits increase his own capital and the credit which he is able to grant to trade and industry.

The high rate of interest which he receives enables him

to pay interest to his depositors, of course on a more modest scale, and thereby attract ever larger sums of money from the strong-boxes and the stockings and other hiding-places where they have been lying idle.

The more commodity production supplants the other forms of production, and thereby extends the employment of money, the more the sums of money grow which the individual accumulates, partly as a consumption fund, which he does not need at the moment, but which he will later expend on the purchase of food, furniture, articles of luxury, partly as a production fund which, as soon as it is large enough, will be devoted to the renewal of means of production, or to the extension of the business by means of supplementary means of production.

In this manner immense sums of money are accumulated by the whole body of saving individuals, which are not intended for immediate employment, and are meanwhile entrusted to the banks, through which medium they flow temporarily to industry and commerce. A huge stream of money flows unceasingly through the banks, or properly speaking two streams. The one consists of deposits which are paid in and lent out to numerous undertakings; the other consists of the monies lent by the banks which are repaid them, and those deposits which are repaid by the banks to the customers.

The sum-total of this money far exceeds the resources of the bank. Its own capital only serves to adjust various disturbances, when for instance more money is paid out of than is paid into the bank.

The larger the amount of money which thus streams from the bank to industry and commerce, the more the latter are able to extend their operations, and the more they become dependent upon credit. This colossal stream of money exerts an increasingly determinative influence upon the organization of industry and commerce. It is not the money of the banks, but the alien money entrusted to them which thus controls to an increasing extent the economic life of the nation. It is, however, the bank

magnates, especially those of the few leading large banks, who direct the stream of money, who control the alien money as if it were their own, and thus become more and more the masters of the whole of capitalist enterprise.

It is an obvious conclusion that a Labour regime would be obliged first of all to secure control of these great banks, in order to break down the domination of the finance magnates, and at one stroke to secure a determining influence upon the whole of economic life, even upon those spheres which were not yet ripe for socialization.

I used to think, with a number of my friends, that this would certainly be the case. I was strengthened in my conviction by Marx's observations upon the subject. In the third volume of his *Capital* we read :

" Without the factory system arising out of the capitalist mode of production, the co-operative factory could not develop, nor without the credit system arising out of the same mode of production. The latter is not only the principal basis for the gradual transformation of capitalist private enterprises into capitalist stock companies, but also a means for the gradual extension of capitalist enterprises on a more or less natural scale. The capitalist stock companies, as well as the co-operative factories, may be considered as forms of transition from the capitalist mode of production to the associated one, with this distinction, that the antagonism is met negatively in the one, positively in the other " (*Capital*, vol. iii. p. 513).

In these observations, penned in the sixties of the last century, productive co-operation, the " co-operative factory," at any rate in conjunction with others upon a graduated scale, is regarded as the only form of an undertaking of an " associated mode of production." Possibly they exaggerated the part which credit would play in the development of the new mode of production. But that it will be an important one, and that a socialist regime must endeavour to master this instrument, cannot be doubted.

Experience and a closer examination of the question, however, do not support the contention that the nationaliza-

tion of the capitalist banks is the proper method to adopt, not even if this operation were conducted less crudely and with more knowledge than was the case in Soviet Russia.

First of all, what part of the banks is to be nationalized? Their own capital? This, however, is relatively insignificant, and does not lend them their position of dominance.

Then the deposits which are entrusted to the bank must be nationalized. How is this to be done? By means of compensation? But this would mean something quite different with the banks than with industry. In the latter case, means of production would be acquired for money; in the former case, money would be exchanged for money, a perfectly absurd transaction. But is it intended to compensate the depositors, not by means of cash, but by means of State bonds? In this case they would be deprived of their economic function, which can only be performed in the shape of money, and the whole economic life would be brought to a standstill.

There would be an even greater objection to simply confiscating the deposits, for what are to-day deposits in the bank will to-morrow be used to continue and extend production, so far as they are not diverted to the ends of consumption, and production will still to a very large extent be conducted upon capitalist lines. Confiscation of deposits or cancellation of the claims of depositors would not nationalize, but kill the banks. Nobody would any longer entrust them with a deposit. With this cessation, the banks would lose the means of granting further credits, and would not be able to continue functioning. If the whole of capitalist economy cannot be confiscated and nationalized at one stroke, if capitalist undertakings must be allowed, at least in part, to continue functioning, then it would be inequitable to deprive them of that portion of the means necessary to their functioning which they have temporarily deposited with the banks.

Nobody who has properly considered the question would now advocate the socialization, by whatever means, of the capital which lies at the banks. What is advocated is merely the nationalization of the apparatus of banking.

Otto Bauer makes the following reference to this subject in his *Weg zum Sozialismus.*

" The socialization of the banks presents quite a different problem from that of large-scale industry or of land. Here it is not a question of transferring land and the means of labour to society, but of wresting from finance capital the power given it through its control over the alien capital which is placed at the disposal of the banks, and investing that power in society. Consequently no act of expropriation is called for in this case ; it is sufficient to transfer the power which the shareholders of the banks now exercise through the boards of directors which they elect to the representatives of the community. This can be effected by passing a law which prescribes that the members of the directorates of every large bank should no longer be elected by the shareholders in general meeting, but by the bodies which the law sets up for this purpose. The law might determine, for example, that a third of the members of the directorate of every large bank should be chosen by the National Assembly, and the other two-thirds by the industrial associations, the agricultural co-operative societies, the consumers' co-operative societies, the trade unions, and the vocational associations. A legal control of this kind over the composition of the board of directors would suffice to socialize the power over millions at the disposal of the banks."

Such an institution is certainly possible. Only one thing must not be forgotten : the banks are institutions which not only grant credit, but which need credit themselves. Their whole power rests not upon their own money, but upon the alien money which is entrusted to them.

Now we must make up our minds to it that the capitalists will offer the strongest opposition to the socialist regime.

Democracy does not alter this fact. The effect of democracy is that the capitalists are deprived of the resources which would enable them to offer military opposition with any prospect of success, or even at all. They will therefore only be able to fight with peaceful weapons,

with the lies and calumnies of their press or with economic resistance. It will depend upon the wisdom and determination of the workers whether these methods of capitalist resistance are successful or not.

Under these circumstances, it is scarcely to be expected that the capitalist will voluntarily place their money under the control of an institution if they anticipated that it would not be an instrument of capitalist expansion, but of Labour emancipation. The more the bank appears in this light, the sooner will the capitalists cease depositing their money with it, the sooner will they withdraw the deposits already there, and the socialized bank will be stranded.

Would the capitalists be compelled to place deposits in the socialized banks? This could hardly be done. They would withdraw their custom from the socialized large banks and bestow it upon the smaller private banks.

Would a State banking monopoly be introduced? This would offer considerable difficulties. And capital could easily create substitute organizations of money capital and credit.

The purpose of the foregoing is to point out the difficulties which beset the proposal, not to declare it to be impossible. Its success would depend upon the social atmosphere at the time of socialization. If the capitalist class formed a compact mass, its prospects would be very dreary. On the other hand, it might well be successful if a considerable section of productive capital were in antagonism to the bank magnates, and felt their domination to be oppressive. In that case, the banks organized on the lines of Bauer's proposal might embark upon a prosperous career.

Yet a socialist regime would not be able to adhere permanently to a regulation of banking which depended upon the goodwill of at least a section of the capitalist class.

Only under favourable circumstances could a Labour regime ensure that socialized undertakings would participate in capitalist credit. Under all circumstances, however, it would be in a position to establish banks, which would relieve the workers, their institutions, and the socialized

undertakings, of the necessity of placing their temporary accumulations of money at the disposal of capitalist banks, to be used for capitalist purposes.

With their private savings and their trade unions, co-operative societies and sick funds, the workers already possess not inconsiderable funds, which will grow with the increasing extension of their institutions and the elevation of the working classes. In addition, there will be the socialized municipalities with their undertakings, and the enterprises which are socialized by the State.

For the advantageous investment of all the funds which the above-mentioned factors accumulate for special purposes and must have at call, there now exist only the capitalist banks, which utilize the money so deposited for the extension and strengthening of capitalist economy.

If the working class and the Labour State power have their own bank, it may become the means for promoting socialist undertakings and rendering them independent of capitalist credit.

The socialist bank would of course have to pay interest on the deposits entrusted to it, in order to be able to compete with the capitalist banks. Consequently it would also have to take interest for the money which it lent. But this last-named interest would not serve the ends of profit. It would have to be higher than the interest paid to depositors to cover the administrative charges and the element of risk. It would, however, be considerably less than that of capitalist banks.

With the extension of socialization, there would be a growth in the strength of these banks, and also of their capacity to accelerate the pace of socialization.

Thus the complete nationalization of the banking system, which it was thought would form the starting-point of socialization, might be regarded as its termination.

When this stage has been reached, money would entirely cease to be used as capital, and consequently the banks as organizations of money capital, as well as the necessity for credit, would disappear.

XI

CONCLUSION

CERTAIN primitive types of Socialism object not so much to capital as to money. This seems to be the root of all evil, and its dethronement bound to bring salvation.

Moreover, this idea is not confined to socialist circles. Long before their existence, even long before the rise of any system of capitalist production, the masses of the people saw in money, not a machine which facilitated, accelerated, and extended the economic process, but a hellish invention to bring evil into the world.

And this was not a mere superstition, but was based upon very just observations.

The production for use which preceded money was almost only concerned with products for personal consumption, the means of production were as yet relatively insignificant, and required little labour. Most of these means of consumption were not fit for long storage, and had to be rapidly consumed. Those members of the community who, by reason of their social position, obtained more of them than the others, did not know what else to do with the surplus than to divide it among their friends and followers. Liberality, even extravagance on the part of the great, is the characteristic of this epoch. Conditions of exploitation, slavery, and serfdom were already known, but as there was no alternative but to distribute the surplus, the impulse to intensify exploitation was not strong.

Social feeling towards the members of one's own community—not towards an alien community—was very strong at that time. Nobody could then maintain himself

in society unless he was backed by a strong community, which protected him and assigned him what he needed. With less division of labour, the needs and inclinations of individuals were as little various as production itself lacked variety. And almost all consumption, material and artistic, was in common. Thus the intellectual and material life of the individual was completely determined by the community in which he lived. It was a portion of his self, and he was completely absorbed in it. Next to liberality, self-effacement, joyous devotion to the community, was the most striking characteristic of that epoch.

This was all changed by the rise of money, especially when money took the shape of an indestructible metal, silver or gold.

Money may be used at all times and for all purposes. It retains its use-value and its value—exception being made of the paper currency of recent times. Nobody is obliged to consume it. It can be saved, and the more one has of it, the more power one has over other people. Consequently, with money incomes, the liberality of yore gradually ceased. A new personality emerged, hated by the multitude, namely the miser, who spared himself and others no pains in order to accumulate money.

But other methods, more effective than diligent labour, abstinence, and saving, could be adopted in order to obtain and accumulate money. One could live a life of idleness and yet heap up treasures, provided one had the necessary means for coercion. Robbery and stealing among the small people, and bloody wars of plunder among the great ones, now became rife.

Crusades to acquire land were embarked upon formerly, but they found a natural limit in the opportunities of productively utilizing newly-acquired land.

The thirst for money, on the other hand, is boundless, and rapacity is as boundless as greed. The same remarks apply to the impetus towards the exploitation of the subjugated people. Slavery now assumed its worst forms.

At the same time, the advancing monetary system

more and more dissolves the surviving communities. Social relations assume more and more the forms of mere money relations. The traditional communities, the *gentes*, mark communes, and guilds, cease more and more to fetter or to protect the individual. The socially strong became ever stronger, the socially weak ever weaker. The individual thought only of himself. Greed, rapacity, and the exploiting proclivity were linked with egoism and harshness towards other members of the community.

There is no wonder that, in view of this result, money used to be hated as the source of evils.

In the section of *Capital* upon money, Marx quotes the following description of the effects of money written by Sophocles in the fifth century B.C.:

"Nothing has done so much as money to sustain bad laws and bad morals; it is that which arouses dissensions in cities and hunts the inhabitants from their dwellings; it is that which turns the most beautiful souls towards all that is shameful and fatal to man, and teaches them to extract evil and impiety from everything."

Yet that is only one side of money. The other side we have already revealed. It first facilitated the greatest development of the division of labour, and consequently of the productive forces, which eventually reached such a level that general equality of conditions of life is no longer, as was once the case, only possible with general intellectual barbarism, but is compatible with a high degree of general civilization.

Socialism is called upon to remove the degrading effects of money. They arise from private property in the source of life and in the socially created wealth, which has hitherto been closely bound up with money. The abolition of this private property will make an end of the curse which has hitherto attached to money.

But we must avoid going so far as to abolish the great things which money has created, the extension of the division of labour, variety of production, and freedom of personality.

Socialism must connote an advance upon, and not a retreat from, Capitalism. A relapse would not be tolerated by individuals of the present who have passed through the school of capitalist production, with its great variety of products and its great independence of personality.

Apart from primitive communism, there were communistically organized societies in past centuries. In this connection we may mention the communistic settlements of the Anabaptists of Moravia, which existed during the whole period of the Reformation, from the end of the Peasant War (1526) to the Thirty Years War, to the victory of the counter-Reformation at the Battle of the White Mountain (1620), lasting an even longer time in Hungary, and later appearing in the United States, where a number of colonies existed until a short time ago (1908), and may exist even yet.

They were based upon a communism not only of production but also of consumption, involving the complete abolition of freedom of personality, as the "elders" assigned to each individual not only his work and his food rations, but also his pleasures, even his wife. Science was spurned by them.

Upon the same principles was based another successful communistic organization, that of the Jesuits of Paraguay, which lasted from 1612 to 1768, and was only destroyed by the brute force of the Spanish soldiery.

Finally we must not omit to mention the religious communistic settlements, which were founded by various European sectaries from the middle of the eighteenth century onwards in the United States, and which have survived into our own time. We have already referred to them in our observations upon the socialization of agriculture. These communities were of a character similar to the households of the Anabaptists.

They were all formed from among economically backward sections, which were devoid of any trace of modern thought. This was mostly the case with the Indians of Paraguay, but the handicraftsmen and peasants, by whom the com-

munistic institutions of the Anabaptists and the Sectaries in America were founded, were also quite outside the modern world.

These organizations were small, comprising as a rule no more than a few hundred people. Only the communistic state of the Jesuits numbered in the days of its greatest expansion 150,000 inhabitants, who lived in thirty pueblos (villages). Most of these communistic settlements were located in the wilderness, remote from other men. Those of the Anabaptists in Moravia were German settlements in the midst of a Czech population.

As soon as any of the communistic organizations of this type came into close contact with the civilized world, they usually lost their internal cohesion. The young people especially felt repelled by the monotony and strictness of the regime, and were very difficult to retain.

It is quite impossible to project the foundation of a great State with modern large-scale production, modern communications, modern science, modern intellectuals, and modern workers, on the basis of this type of communism. Soviet Russia was the first and will doubtless be the last attempt of this kind. In Western Europe matters will not get so far as the attempt.

For us, however, even Utopian constructive proposals of a socialist organization offer a certain danger. For life is always richer and more varied than theory, which can only take account of the general and must lose sight of the particular. Every Utopia, therefore, simplifies too much the problems of reality, and if strictly followed, signifies a relapse from variety to monotony.

Society is not a mechanism which may be put together according to arbitrary predetermined plans, but an organism which grows and unfolds according to definite laws. It is an organism whose cells are thinking beings who consciously labour at its construction, but who cannot shape this construction to their own desires. Their freedom consists only in the voluntary execution of what they have recognized as necessary.

This freedom will be accorded us in ampler measure, the better we recognize the laws which govern realities, and this knowledge will be all the more complete, the more we investigate the economic functions of society.

Besides this freedom which is based on scientific perceptions, the modern man possesses another kind of freedom: the freedom of his personality as against other personalities, the greatest possible independence of them in the choice of his mode of life. This is impossible in connection with the production of the material things of life, which necessitates the systematic co-operation of the many. But even under present-day conditions, it is possible as regards most kinds of personal consumption, and it is possible in the realm of personal creativeness through the increasing curtailment of the labour devoted to business, though the constant increase of leisure, which the individual may utilize for his free activity.

Extending scientific knowledge to the reach of all, the greatest possible curtailment of working time, the complete freedom of the individual in all activities outside his business, so far as other individuals or society are not thereby injured—such are the objects which must guide modern Socialism, in contrast to its communistic predecessors who had no suspicion of them, who conceded to the individual sufficient bread and security of existence, without science and without freedom. We want both the latter and the former, for we stand on the shoulders of industrial capitalism, and it is our task to bring to the whole of the people the benefits which have hitherto been monopolized by a small section.

Whatever shape the socialist society may take, it will not be able to maintain its existence or prove adequate to its great historical task—the development of the achievements of capitalism to higher forms of life—unless it brings to the whole of humanity not merely bread and security of existence, but also civilization and freedom.

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